

ATTACHMENT B

**PINEDALE PUBLIC
UTILITY DISTRICT**

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

Report to the
Fresno Local Agency Formation Commission

MSR-19-01 / SOI-190

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PINEDALE PUBLIC UTILITY DISTRICT

Sewer, street lighting, street median maintenance, and street sweeping

Contact Information

General Manager: Jim Tsuruoka, General Manager/Engineer
Alternate contact: Elaine Chan, Controller/Office Manager

Office address: 2560 West Shaw Lane, Suite #102
Mailing address: Fresno, CA 93711
Phone: (559) 431-8516
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Management Information

District formation: 1950
Principal act: Public Utilities Code 15501 *et seq.*, (*The Public Utility District Act*)
Special district powers: Prescribed in Public Utilities Code sections 16401-16682

LAFCo

Authorized services:¹ Sewer, street lighting, street median maintenance, and street sweeping
Governing body: Three-member board of directors, elected at large (General Election / Even)

Board members:	Appointed	Expire
Glen Goto	2017	12/2020
Larry Neyman	2015	12/2020
Dwane Strickland	2013	12/2022

Board meetings: Held on the third Tuesday of each month at 5:30 p.m. at the District office located at 2560 W. Shaw Lane, Suite #102, Fresno, CA 93711

Staffing: One full-time employee, two part-time employees, and a contracted legal counsel

Service Information

Population served: 6,784	Sewer connections: 2,790
2007 District service area: 362 acres	2007 District SOI: 645 acres
Proposed 2019 MSR data update	Service Area: 476 acres SOI update: 1,184 acres (proposed)

Area served by District sewer lines²: 807 acres
Infrastructure: Sewer lines, streetlights, divider strips, manholes, sprinklers, office furniture and equipment

Fiscal Information

Budget: \$362,000 (FY 17-18)
Sources of funding: Utility service fees and property taxes
Rate structure: Fee schedule

Administrative Policies

Policies/Procedures: Yes	By-laws: None	SOI initially determined: 1977
Previous SOI update: 2007	Other: Member of California Special Districts Association	

¹ GC sec. 56425(i).

² District General Manager, March 21, 2018.

1. MUNICIPAL SERVICE REVIEW

EXECUTIVE SUMMARY

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (“CKH”) requires that each LAFCo develop and determine the spheres of influence of each city and special district within its jurisdiction every five years, or as necessary.³

This Municipal Service Review (“MSR”) updates the information and recommendations of LAFCo’s 2007 Pinedale Public Utility District MSR. LAFCo engaged both the Pinedale Public Utility District (“PPUD” or “District”) and the City of Fresno to assist with the development of this service review update. Additionally, LAFCo released draft MSRs via two separate 21-day public review periods to maximize public participation and solicit comments from the community and affected local agencies.

The PPUD provides sewer service to the area west of the Pinedale community, including territory both within the City of Fresno (“City”) and in adjacent unincorporated areas, within and outside of the District’s service area, and outside of the PPUD sphere of influence (“SOI”). This is an unusual condition for a special district which is formed to provide service only within its corporate boundaries, called its “service area.” The service condition is an issue of concern because it presents a lack of franchise by District sewer customers not within the PPUD service area.

The District’s service condition is attributed to two main factors. The first is a 1973 City-District contract wherein the District agreed to abandon its wastewater treatment plant in exchange for the City to transport and treat sewage from the District via the “Herndon-Cornelia Interceptor.” The 1973 Contract also facilitated mutual agreement between the District, City, County of Fresno (“County”) and LAFCo to have the District provide sewer service to customers outside of its service area, areas inside the City, and areas within the City of Fresno SOI.⁴

The second factor is that connection and service requirements including annexation standards, appear to have been generally less stringent than current statute. As a consequence, the service condition established over many decades is not likely to be reproducible moving forward.

This MSR will summarize how the land use entitlement practices of the past allowed the District to provide services outside of the Commission determined SOI and service area, its “service condition.” The evidence and analysis presented herein supports a recommendation to revise the PPUD SOI by 327 acres to encompass all properties currently served by the District. The SOI revision then allows the PPUD to annex all properties that receive PPUD sewer service. The recommendation is based on a contemporary interpretation of the Commission’s legislative mandate and its local policies.

Overall, this MSR re-examines LAFCo’s 2007 MSR recommendations made to the District and City and provides a comprehensive assessment on the provision of District services based on updated data provided by the District and City.

³ GC sec. 56425 (g) and GC sec. 56430(e).

⁴ *Contract for the Transportation and Treatment of Pinedale Public Utility District Sewage*, July 6, 1973.

PUBLIC AND AFFECTED AGENCY REVIEW OF THE PPUD MSR AND SOI UPDATE

An administrative draft MSR/SOI update was circulated in two separate 21-day public review periods to maximize public participation and solicit comments from the affected local agencies. On August 15, 2018, LAFCo published the admin draft MSR/SOI update and made it available on LAFCo's website. LAFCo sent notice to all affected property owners in the proposed SOI update area and the PPUD and City, the affected local agencies. The first public review period closed on September 5, 2018. No public written comments were received during this period; however, both City and PPUD requested additional time to prepare an official response to LAFCo's draft MSR.

LAFCo met with the agencies on the dates listed below to engage their participation in the development of the draft MSR.

- August 21, 2018, attended meeting of the PPUD Board of Directors
- August 23, 2018 with City of Fresno Public Utilities Department personnel
- October 19, 2018, with City of Fresno Public Utilities Department and PPUD personnel
- October 29, 2018, with City of Fresno Public Utilities Department personnel
- December 4, 2018, with City of Fresno Public Utilities Department and PPUD personnel
- December 18, 2018, attended meeting of the PPUD Board of Directors
- December 20, 2018, with City of Fresno Administration and Fresno Public Utilities Department

Comments received from the City of Fresno⁵ and PPUD⁶ are included as Appendix B.

In anticipation of LAFCo's February 13, 2019 hearing, this iteration of the PPUD MSR and SOI update has been made available for 21-day public review period of January 23, 2019 through February 12, 2019.

PRINCIPAL ACT

PPUD was formed in 1950 under the Municipal Utility District Act of 1921 for the specific purpose of providing wastewater collection and treatment to unincorporated subdivisions west of the historic unincorporated community of Pinedale.

In 1951, the California Legislature adopted the Public Utilities Code, which incorporated a substantial number of previous general-purpose enabling acts into a unified code under State law. Therefore, the operation of the District is governed by the Public Utility District Act of 1953 (Public Utilities Code sec. 15501 *et seq.*).

Shortly after 1960, the District's scope of authorized services included wastewater collection, public street lighting, street sweeping, and landscape maintenance.

⁵ City of Fresno letter dated November 16, 2018, Re: PPUD – 2018 MSR.

⁶ Pinedale Public Utility District letter to LAFCo dated December 19, 2018, Re: PPUD.

The District is governed by a three-member board of directors, and functions independently from the County and the City. The District is an “independent special district,” meaning it is not governed by another legislative body (either a city council or a County board of supervisors).

DISTRICT SPHERE OF INFLUENCE, SERVICE AREA, AND AREAS SERVED OUTSIDE OF THE DISTRICT

The PPUD SOI is generally bounded by the San Joaquin River bluffs to the north, Forkner Avenue to the west, Bullard Avenue to the south, and Ingram Avenue to the east, as shown on Figure 1 – 2007 PPUD Map. The Commission originally adopted a SOI for the PPUD in 1976 (26 years after the District was formed). The SOI reflects historical City-District contracts for extended sewer service (additional analysis on this contract is presented later in this report). Since its adoption, the PPUD SOI has not been substantially adjusted to include and reflect all District customers. The PPUD SOI overlaps with the Fresno SOI. In addition, the District provides sewer service to two unincorporated areas identified within the City SOI.

The District’s service area and SOI are not coterminous. In 2007, LAFCo estimated the District’s authorized service area at 362 acres comprised of two noncontiguous areas separated by developed land annexed to the City. The District’s service area includes a portion of an unincorporated area situated north of Bullard Avenue, west of Fruit Avenue, south of Sierra Avenue, and east of Forkner Avenue. (See Figure 2 – PPUD Sewer Service Diagram, Map update).

In addition, 673 acres of urbanized properties are served by PPUD (sewer service) that are not within the District’s corporate boundaries hereafter referred to as the “out-of-district” area.

Main north/south roads within the District include West, Fruit, and Palm Avenues. Main east/west roads within the District include Alluvial, Herndon, Sierra and Bullard Avenues. The nearest highways to the District include State Route 41 located within two miles east of the District and State Route 99 is five miles west of the District.

ISSUE OF NOTE: SIGNIFICANT JURISDICTIONAL BOUNDARY OVERLAP

LAFCo’s assessment of the District’s boundaries reveals a significant jurisdictional overlap between the City and the District’s service area resulting in two agencies’ local sewer systems frequently interconnected and duplicated.

During the preparation of this MSR, this overlap contributed to a lack of consistency between the administrative records of LAFCo, the City, and the District as to the District’s boundaries and which agency (City or District) provides sewer service within and outside of the District service area. The following sections, “Creation of LAFCo – Background” and “History - PPUD and City of Fresno,” provide the necessary historical narrative to consider the present configuration of the District and City boundaries.

Based on records obtained from the District and City of Fresno's Public Utility Division,⁷ the District provides sewer service to all parcels identified within the existing PPUD SOI, including parcels that have been annexed into the City.

The District provides sewer service to parcels outside the District's service area and in the City. In addition, the District informed LAFCo that it provides sewer service to parcels outside of the existing PPUD SOI. However, as shown as Area A on Figure 7, LAFCo notes that some neighboring properties are not connected to PPUD sewer but continue to use private septic systems.

ISSUE OF CONCERN: LACK OF FRANCHISE BY DISTRICT CUSTOMERS NOT WITHIN THE PPUD SERVICE AREA

The District's sewer ratepayers not residing within the PPUD service area are not allowed to participate in the operation of the District, not eligible to serve as District board members, and are not allowed to protest possible changes of organization under the CHK. The PPUD out-of-district customers are not enfranchised to participate in the District's affairs equally as those customers within the District's service area.

CREATION OF LAFCO - BACKGROUND

The District's service conditions are the result of decades-long agreements between multiple public and private entities and likely reflect acceptable conditions of the time in which the agreements were executed. Because this service review is LAFCo's basis for action on the PPUD SOI, it is important to explain the evolution of LAFCo's function to plan and regulate the boundaries of cities and special districts.

Between the 1950s and mid-1970s, like many counties in California, the County of Fresno experienced tremendous population growth and a surge of subdivision activity. The pace of growth resulted in the County and City involved in parallel development approvals in the northeast part of the Fresno metropolitan area: City municipal services were extended to serve new development annexed to the City and in the County new growth was frequently approved along with the formation of single purpose special districts to provide municipal services to tracts being built in the County.

During the 1960s, California's annexation statute was not as stringent as it is today in the CKH. Though LAFCos were formed in 1963, it was also an era of relatively weak planning laws, so it was possible for a city or special district to annex large areas of undeveloped land by simply satisfying pre-zoning requirements, whether it was at the city or county level.

The noncontiguous and frequently disorderly boundaries of cities and county development served by special districts was of particular concern to the State Legislature. These local governance issues contributed to the establishment of the Knox-Nisbet Act in 1963 creating a Local Agency Formation Commission (LAFCo) in each county of the State. The Knox-Nisbet Act,

⁷ PPUD Request Addresses, prepared by City of Fresno Department of Public Utilities. January 4, 2018.

and its successors⁸ represent California's evolution to empower LAFcos to discourage urban sprawl, preserve open-space and prime agricultural land, encourage the efficient provision of government services, and encourage the orderly formation and development of local agencies based upon local conditions and circumstances.⁹

HISTORY - PPUD AND CITY OF FRESNO

The PPUD is the successor of various public and private entities that have been in play in the Pinedale community for almost a century. Each of those entities served a distinct purpose that was then assumed and modified by the succeeding entity. It is therefore important to generally understand how the service conditions evolved over time to their present form.

Pinedale, as a distinctive geographic neighborhood in metropolitan Fresno, has served a variety of purposes since its beginning early in the 20th century. The residential community of Pinedale was established in 1922 by the Gorham Land Company of Santa Monica in response to the development of the Sugar Pine Lumber Company lumber mill being constructed in the west. An article in *The Fresno Republican* said, "a population of 2,500 is expected, the majority being workers at the Sugar Pine mill, and the ultimate expectation is to increase the population of 5,000.... The town site covered 575 acres [at what is now the northwest corner of Blackstone and Herndon Avenues, east of the lumber mill], with room for future expansion."¹⁰

The Sugar Pine Lumber Company of Pinedale existed from 1921 through 1933. During its heyday, the Sugar Pine Lumber Company was at the forefront of technology, using the most modern and sophisticated equipment in the United States.¹¹ The mill operation consisted of an electrically-operated sawmill complex at Pinedale; the Minarets and Western Railway (M&W Railway), a 56-mile long line that ran from Pinedale to Bass Lake; the community of Central Camp to house lumber workers; and the Sugar Pine Lumber Company Wood Railroad.¹²

In November of 1931, after nearly 10 years of operation, the Sugar Pine Lumber Company went bankrupt. The 2007 Pinedale Historic Resource Survey (2007 Survey) noted that eight months of mill operation turmoil in the front office lead to the resignation of the mill's first general manger, which was followed by a succession of four different mill managers in the span of 10 years.¹³ Problems with the company's front office was evident early on, and the high price of the company's production, equipment maintenance, and facility maintenance caused the company to lose money.

By November 18, 1935, properties of the Sugar Pine Lumber Company were sold at auction for \$350,000 to the *Pensacola Company of Los Angeles*. On April 1937, the *Pensacola Company* sold

⁸ The Cortese-Knox Local Government Reorganization Act of 1985, and Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

⁹ GC Section 56301.

¹⁰ *Rails to the Minarets, the story of the Sugar Pine Lumber Company*, Hank Johnston, Trans-Anglo Books, Corona del Mar, California, 1980 (est.).

¹¹ City of Fresno Planning and Development Department, Pinedale Historic Resource Survey, October 2007, prepared by Planning Resources Associates, Inc. <https://www.fresno.gov/darm/wp-content/uploads/sites/10/2016/11/HistoricPresPinedaleFeb122009.pdf>.

¹² Ibid.

¹³ Ibid.

68 acres of the Pinedale Mill property to the *Valley Compress Company* for \$90,000, and in 1941, an additional \$8,500 was paid for the remainder of the mill site.¹⁴ By mid-1941, *Valley Compress Company* owned almost all land within the former mill site.

After the December 7, 1941, bombing of Pearl Harbor by the Japanese, President Franklin D. Roosevelt came under strong political pressure to address the nation's fears of further attacks on America's mainland. On February 19, 1942, President Franklin D. Roosevelt signed Executive Order 9066, initiating a controversial World War II policy with lasting consequences for Japanese Americans in the United States.¹⁵ Executive Order 9066 ordered the removal of "resident enemy aliens" from parts of the West vaguely identified as military areas.

There were two assembly center sites selected in Fresno County: the Fresno County Fairgrounds and a by now unused portion of the Sugar Pine Lumber Company lumber drying area. More than 500 buildings were constructed between the Pinedale Assembly Center and Fresno Fairgrounds.¹⁶ The Pinedale Assembly Center included an 80-acre tract of land with 10 barrack blocks, each with 26 buildings, and a separate block built for the military police and administration.¹⁷

The Pinedale Assembly Center was one of 15 temporary detention centers administered by the Wartime Civil Control Administration. Most Japanese-Americans forcibly removed from the West were sent to one of these centers during the spring and summer of 1942. The Japanese-American evacuees interned in the Pinedale Assembly Center were from Sacramento and El Dorado counties, Oregon, and Washington.

The Pinedale Assembly Center included a large number of adaptable, pre-existing facilities installed by the former mill operation. These facilities included electric power, water, a sewer system and a wastewater treatment facility. Pinedale's geographic context made it easy to confine and separate the evacuees from the general population, while maintaining access to main roads and connectivity to railroads for eventual transfer of the evacuees to permanent internment camps in the western U.S. The Pinedale Assembly Center was located eight miles north of downtown Fresno and about 12 miles from the Fresno Assembly Center at the Fresno Fairgrounds. The Pinedale Assembly Center was populated from May 7 to July 23, 1942, a total of 78 days.¹⁸

¹⁴ City of Fresno Planning and Development Department, Pinedale Historic Resource Survey, October 2007, prepared by Planning Resources Associates, Inc. <https://www.fresno.gov/darm/wp-content/uploads/sites/10/2016/11/HistoricPresPinedaleFeb122009.pdf>.

¹⁵ Executive Order 9066, This Day in History - February 19. History. <https://www.history.com/this-day-in-history/fdr-signs-executive-order-9066>.

¹⁶ City of Fresno Planning and Development Department, Pinedale Historic Resource Survey, October 2007, prepared by Planning Resources Associates, Inc. <https://www.fresno.gov/darm/wp-content/uploads/sites/10/2016/11/HistoricPresPinedaleFeb122009.pdf>.

¹⁷ California Military Department, Military Historian Museum Website: <http://www.militarymuseum.org/CpPindale.html>.

¹⁸ Densho Encyclopedia, Pinedale (detention facility) web: http://encyclopedia.densho.org/Pinedale_%28detention_facility%29/.

From August 1942 until October 1947, the *Valley Compress Company* leased the former Sugar Pine Mill site to the United States Army as a United States Army Signal Corps training school and named it “Camp Pinedale.”

In October 1947, the 569 acres composing the former Camp Pinedale/Pinedale Assembly Center reverted back to its owner Cecil F. White of the *Valley Compress Company* (also known as the Valley Cotton Products Company) and was renamed as the *Pinedale Compress and Warehouse Company*. In April of 1950, the *Pinedale Compress & Warehouse Co.*, located on the former mill site was sold to the *California Cotton Co-operative Association Ltd.* (CALCOT) of Bakersfield. CALCOT’s purchase included various preexisting facilities, structures, and buildings for storing and compressing cotton. The sewer system, wastewater treatment plant, and treatment ponds constructed during the time the United States Army leased the property were included in the land sale. The CALCOT property was generally located east of N. Harrison Avenue to N. Ingram Avenue, between W. Nees and W. Herndon Avenues.¹⁹

Sewer treatment operation and maintenance costs ultimately required CALCOT to convert from being a private service provider to a public agency through the formation of a special district. The special district status allowed the agency to impose a tax on all parcels receiving sewer service to be used for the long-term funding of the district. As a result, the PPUD was formed in 1950 pursuant to state law to manage, serve customers, and to extend service to the developing areas near Pinedale.

In the 1950s, the District’s boundaries were distant from the City limits which, in fact, stopped along Dakota Avenue, approximately four miles south of the District’s original boundaries. For many years, the District provided wastewater collection and treatment service to residents of the new unincorporated subdivisions remote from the City.

In 1966, the Fresno County Board of Supervisors designated the City as the “chief sewer agent” (CSA). The CSA designation permitted the City to pursue federal and State funding to construct a regional wastewater treatment facility that would treat all wastewater produced by the two cities and the multiple special districts serving unincorporated areas within the Fresno-Clovis metropolitan area.

Due to the operation of multiple wastewater collection and treatment agencies in the metropolitan area, as a condition to receive grant funding, it was necessary for the City to get written consent from these other providers to retire their treatment plants and connect their collection systems to the City’s proposed new regional wastewater collection system. Accordingly, the City and the other providers entered into contracts to demonstrate their partnership with the City’s effort to become the regional sewer provider in the metropolitan area.²⁰ By late 1960s, the City was awarded approximately \$22 million in Federal and State grant funding to construct the Regional Wastewater Treatment Facility.

¹⁹ City of Fresno Planning and Development Department, Pinedale Historic Resource Survey, October 2007, prepared by Planning Resources Associates, Inc. <https://www.fresno.gov/darm/wp-content/uploads/sites/10/2016/11/HistoricPresPinedaleFeb122009.pdf>.

²⁰ Examples of sewer service providers: PPUD, Pinedale County Water District, County Sanitation District No. 2 (dissolved LAFCo file No. DOD-74-2), and the City of Clovis (via a 1977 Joint Powers Agreement).

During this same time, the California Regional Water Quality Control Board (“RWQCB”) established new wastewater discharge requirements that were intended to mitigate emerging environmental and water quality issues appearing across the State. These new State regulations modernized wastewater treatment procedures, required infrastructure and facility upgrades, and increased monitoring and reporting requirements from all sewer agencies.

The LAFCo record is not clear with regard to when the PPUD treatment plant was closed, and the District informed LAFCo that when its plant closed, it had sufficient treatment capacity for additional connections. Nevertheless, fast-paced urban development and pressure by the City in conformance with its grant application persuaded the District to participate in the regional shift of wastewater treatment.

On July 6, 1973, the City and PPUD entered into a “Contract for the Transportation and Treatment of Pinedale Public Utility District Sewage” (“1973 Contract”). Pursuant to the 1973 Contract, the District agreed to abandon its wastewater treatment plant, but continue to provide wastewater collection service to properties within its service area in exchange for its connection to the City’s planned “Herndon-Cornelia Interceptor” sewer system.²¹

During the mid to late 1970s, continued urbanization in this part of the Fresno metropolitan area—whether by unincorporated subdivisions approved by the County or annexations to the City—began to encroach upon PPUD’s service area boundaries. The 1973 Contract anticipated growth in this part of the City, and the District’s continued interest in serving new development:

“There shall be established, by mutual agreement, the boundaries within which the District *shall provide service in the future*. That agreement shall become a part of this Contract by reference and incorporation.” (Emphasis added)

Through various amendments of the 1973 Contract, large-scale pre-zoned annexations to the City received approval from County, LAFCo, City, and District. For example, once territory was annexed to the City, the 1973 Contract stipulated that the District would provide wastewater collection service to the annexed boundaries *regardless if it was in or out of the District’s service area*. A series of addendums to the 1973 Contract enabled the District to extend new sewer lines outside of its service area to serve the City’s new developments. In at least 12 annexation proposals that occurred during the 1960s through 1980s, LAFCo conditionally approved annexations to the City to include individual City-District agreements that identified PPUD as the wastewater collection provider and consent to extend service, even though no parallel changes were made by LAFCo to the District’s service area. Annexations to the City north of Bullard Avenue, east of Forkner Avenue, south of Nees Avenue, and west of Ingram Avenue were approved by the City, County, District, and LAFCo identifying PPUD as the ultimate wastewater collection provider of these areas.²² By the late 1980s, the City annexed much of the available land within the District’s vicinity.

During the preparation of this MSR, the District informed LAFCo that until the 1980s the City did not have sewer lines available to serve the Pinedale community. It was common for the City to request “will-serve” agreements from PPUD or the Pinedale County Water District as evidence

²¹ Ultimately, the District’s wastewater treatment plant was demolished with the development of the Palm Bluffs Business Park, circa 1998.

²² LAFCo file No. RO 76-10 (Herndon and Fruit Avenues).

of municipal services for proposed subdivisions in order to facilitate annexation proposals through the LAFCo process. Once land was annexed into the City, as previously noted, the City and District worked together to facilitate reliable services to approved developments.²³

The State's passage of AB 2870 (Knox, 1971) required LAFCOs to adopt SOIs for each local agency under its jurisdiction.²⁴ Though a "sphere of influence" is defined in GC sec. 56076 as a plan for the probable physical boundaries and service area of a local agency, as determined by the commission," the PPUD SOI does not appear to have had a significant influence on the City-District jurisdictional and service redundancies that were created before and after the SOI was adopted by LAFCo.

In addition, much of the City-District history took place prior to Fresno LAFCo's 1986 adoption of its Policies, Standards and Procedures Manual. That document specifically identifies issues of concern that are visible today in the City's and PPUD's boundaries, including but not limited to:

- Proliferation of overlapping and competing local agencies
- Inadequate revenue base or adverse fiscal impacts for local agencies
- Illogical, gerrymandered agency boundaries, islands, surrounded areas
- Illogical agency service areas
- Conflicts between urban and rural/agricultural land uses
- Premature proposals and lack of development proposals
- Phasing of agency expansion/growth
- Urban sprawl and leap frog urban development
- Opposition of proposals by residents and popularity of proposals by landowners/developers

Currently, District services are not equally distributed throughout the District's service area. The District owns sewer lines and lift stations within the existing PPUD SOI that connect to the City of Fresno's sewer mains. The City has assumed the responsibility for public street lighting, street sweeping, and landscape maintenance responsibilities for the incorporated portions of the District's service area, but not wastewater collection service.

DISTRICT SERVICES

One of LAFCo's objectives is to make studies and to obtain, furnish, and disseminate information that will contribute to the logical, orderly, and reasonable development of local agencies within the County.²⁵ This service review now examines the relationship between the District's service area, its sewer infrastructure location, and the places it provide services within the Fresno SOI.

Sources Consulted

LAFCo staff estimated the geographic scope of the area served by the District and the location of District facilities using Geographic Information Systems ("GIS") mapping software, LAFCo's in-

²³ LAFCo File No. RO-98-9 (Pinedale Calcot, LTD).

²⁴ *California Within Limits, Research Notes for a History of California's Local Boundary Laws*, Peter M. Detwiler, August 2013: https://calafco.org/sites/default/files/resources/8-28_1400_LAFCOpast-3_Detwiler.pdf.

²⁵ GC sec. 56301.

house records, information provided by District staff, the City's Department of Public Utilities, and the County Assessor-Recorder. LAFCo's collaborative approach with City and District revealed minor data inconsistencies between these agencies that are identified in this MSR.

This analysis enumerates District services and locations where services are provided by PPUD, and updates LAFCo's maps. The map updates now accurately identify the District's existing service area as well as territory served by the District outside of its service area and the PPUD SOI, and recalculates the acreages of the affected areas. It is noted that the County Assessor-Recorder identified only the unincorporated areas of the District, and not those parcels in the boundaries of the city of Fresno that receive District services. The latter database was provided by the City.

Territory Served In and Out of the District

According to LAFCo's calculation, the District's service area—its jurisdictional boundaries—encompasses 476 acres and the PPUD SOI encompasses approximately 857 acres. These updated figures increase both the District's service area and its SOI acreages presented in the 2007 MSR.

The District informed LAFCo that it provides wastewater collection service to a total of approximately 807 acres (equivalent to 2,790 residences/commercial sewer connections)²⁶ within and outside of its service area, as well as outside of the existing PPUD SOI.²⁷

LAFCo's record of annexations from the late 1970's through the 1980's suggests that the service conditions arose from mutual agreements between LAFCo, the District, and the City as annexations were approved.²⁸ As noted earlier, the 1973 Contract established policy and provided consensus for the sharing of construction costs, sewer line ownership, maintenance responsibilities, and the mutual use of common sewer mains by the City and District.

In the course of the research through early LAFCo records, LAFCo staff found that the 1973 Contract was—by current standards and statutes—an unorthodox way of doing business. It resulted in a practice of piecemeal out-of-district extension of wastewater collection service, without a corresponding system shared by the three agencies for tracking boundary changes and service provider. By contemporary standards, annexation of the territory to the District's service area is preferable than extension of service.

The sum total of the practice of extending PPUD service beyond its service area has resulted in unintended, but not unforeseeable, consequences associated with local agency order and efficiency. The variety of service conditions and their effects will be collectively termed, "service conditions."

1. The District's service area does not reflect the actual area being served;
2. Not all of the parcels being served by the District pay the annual PPUD property tax;²⁹

²⁶ District estimate based on existing sewer connections, March 21, 2018.

²⁷ Communications with District General Manager, December 19, 2017 and March 21, 2018.

²⁸ *City of Fresno and District Contract for the Transportation and Treatment of PPUD Sewage*, July 6, 1973.

²⁹ The potential disparity between property taxes should be a concern for those residents that are paying the property taxes. They may be paying a rate that is not commensurate to the amount of service they

3. Ratepayers outside of the District are not residents “of the District” and are therefore not qualified to be a candidate for the District board, nor to participate in the business of the District equally with ratepayers in the service area.³⁰
4. Ratepayers outside of the District are not eligible to protest LAFCo changes of organization nor participate in LAFCo-related elections;³¹
5. The District is at a disadvantage to collect wastewater collection fees from certain delinquent accounts located outside of its jurisdiction.³²

Furthermore, this service review observes that this City, District, and LAFCo history made it more difficult on LAFCo’s efforts to determine the District’s first SOI in 1975, then again in 1976 and 1978.³³ The record reflects that Fresno LAFCo struggled to determine a SOI for the District consistent with LAFCo statute, then in effect, due to ambiguous boundaries between PPUD, Pinedale County Water District (“Pinedale CWD”), and the City.³⁴

By 1978, a pattern of written contracts and verbal agreements resulted in geographically-intertwined areas served by PPUD, Pinedale CWD, the City, various County of Fresno Waterworks Districts, and the former Kavanagh Vista Water District. These agencies provided a range of municipal services including water and wastewater collection service. During the preparation of this service review, the District informed LAFCo that the City’s northerly growth was achieved through frequent informal collaboration between special district staff, developers and city staff.³⁵

By 1977, the corporate limits of the City of Fresno covered approximately 65 percent of the District’s original (1950) service area. Through various amendments of the 1973 contract, the District was permitted to extend sewer service out of its corporate boundaries into newly-annexed City territory rather than annex the same territory to the District. In contrast, District street lighting, street sweeping, and landscape maintenance services were terminated when the respective territory was annexed to the City, which required the City to assume responsibility to provide these services. LAFCo estimates that by 1977, the District’s service area encompassed 410 acres but was serving a total of 790 acres in and outside of its service area.

receive, because they are essentially paying a portion of the cost for those landowners outside the boundary who are not taxed. This condition would be mitigated if there are agreements with private landowners outside of the District’s boundaries that state those landowners pay property taxes, but no evidence of such agreements was evident during the preparation of this MSR.

³⁰ PUC sec. 15952, “A director at large shall be a resident and qualified elector of the district.” Another example of the lack of franchise by ratepayers outside of the District is PUC sec. 16641.5, wherein a district is authorized to impose a special tax which shall be applied uniformly to all taxpayers or all real property within the district.

³¹ GC sec. 56015 (description of “affected territory”); GC sec. 57113 (protest valuation and requirement for an election).

³² Communication with District staff, July 12, 2017.

³³ LAFCo File RSOI No. 13, Resolution Making Determination and Approving the Revised SOI for Pinedale Public Utility District, April 25, 1975.

³⁴ LAFCo File RSOI No. 25, Resolution Making Determination and Approving the Revised SOI for Pinedale County Water District and Pinedale Public Utility District, July 19, 1978.

³⁵ Communication with District General Manager, March 21, 2018.

Currently, less than 237 acres of the District's service area remains unincorporated. This unincorporated territory is the only area that receives all four District services, as shown on Figure 8 – PPUD service diagram, location that receives all PPUD services. The following descriptions identify the territory served by the District in three separate categories: incorporated, unincorporated, and out-of-district.

District Service Area within the City Limits

This section describes only the portions of the District within the corporate limits of the City of Fresno.

Approximately 239 acres of PPUD's service area are located within the corporate limits of the City (Figure 4 – Incorporated areas within PPUD's Service Area). The following points summarize the three areas of the District located inside the boundaries of the City.

- Area 1 is 164 acres in size and was annexed to the City in 1982, but not detached from the District's service area.³⁶ Properties within Area 1 are primarily light industrial, commercial, and medium density residential. Area 1 is bound by North Ingram Avenue, West Herndon Avenue, North Harrison Avenue, and North Remington Avenue. Parcels within Area 1 receive District sewer service only. Municipal water is provided to Area 1 by Pinedale County Water District and all other municipal services are provided by the City.
- Area 2 encompasses 51 acres and was annexed to the City through a total of four reorganizations between 1979 and 1986. Properties in Area 2 are primarily residential and are generally bound by North Durant Avenue, West Sierra Avenue, North Dolores Avenue, and south of West Palo Alto Avenue. Parcels within this area receive District sewer service and street sweeping service only. Municipal water and all other municipal services are provided by the City.
- Area 3 encompasses 24 acres and was annexed to the City through a total of three reorganizations between 1978 and 1983. Properties in Area 3 are primarily residential and neighborhood commercial. Area 3 is generally bound by North Channing Way alignment, west Bullard Avenue, North Forkner Avenue, and south of West Vartikian Avenue. Parcels within this 24-acre area receive District sewer service. Of the 24 acres, less than four acres receive District street lighting, street sweeping, and landscape maintenance services. The four-acre area is located north of Bullard Avenue and east of West Avenue and consists of the Bullard Fair shopping center and residential lots. Municipal water and all other municipal services are provided by the City.

Out-of-District customers within the 2007 PPUD SOI

As shown on Figure 6 – Out-of-District Customers within 2007 PPUD SOI, the subject area is bounded by Alluvial Avenue to the north, Harrison Avenue to the east, Herndon Avenue and Freemont Avenue generally bound the southern edges, and Dolores Avenue and Pacific Avenue generally bound the area's western edges.

³⁶ LAFCo File No. RO-80-48 (Herndon-Ingram No. 4).

Approximately 342 acres of PPUD's sewer customers are located outside the District's service area, and inside the City of Fresno. The parcels north of Herndon Avenue, between Pacific Avenue and Ingram Avenue receive municipal water service from Pinedale County Water District. Parcels located south of Herndon Avenue, between Forkner Avenue and Fruit Avenue receive municipal water from the City of Fresno. With the exception of sewer and water service, the City of Fresno provides all other municipal services.

Unincorporated District Service Area

237 acres of the District's service area are in the unincorporated portion of metropolitan Fresno, as shown on Figure 5 – Unincorporated Area within PPUD Service Area.

The District's unincorporated area is situated generally south of West Sierra Avenue, east of North Forkner Avenue, north of West Calimyrna Avenue, and west of North Fruit Avenue. Parcels within this area receive District wastewater collection, street sweeping, landscape maintenance on the street medians, and street lighting. The City of Fresno provides municipal water to this area through the 1988 merger of Fresno County Waterworks District #25 with the City.³⁷ This unincorporated area is the only location within the District's official boundaries that receives all four District services. Figure 8 provides the general location that benefits from all District services.

Out-of-district customers outside of the 2007 PPUD SOI

The PPUD is authorized by its principal act to provide services to parcels within its corporate jurisdiction,³⁸ and (under current LAFCo statute) to property outside its service area if authorized by LAFCo. All parcels provided service by the District that are situated outside of the District's service area—even if with its SOI—are therefore considered out-of-district customers. During the preparation of this MSR, the District informed LAFCo that it does not provide sewer collection service to the unincorporated area known as the Bluffs Community³⁹, an area identified inside the existing PPUD SOI.

This section describes the five general areas located outside of the District's service area and beyond PPUD's SOI that receive District wastewater collection service. (Figure 7 – Out-of-District Customers Outside PPUD service area and outside PPUD SOI, Diagram)

In total, the District provides out-of-district wastewater collection service to approximately 327 acres of unincorporated territory outside of the 2007 PPUD SOI.⁴⁰

- Area A consists of approximately 157 acres not contiguous to the District's service area located near the San Joaquin County Club and bound by North Marks Avenue, North

³⁷ LAFCo File RO-87-19 (Waterworks District Reorganization) Certificate of Completion issued December 27, 1988.

³⁸ PUC section 17301.

³⁹ Also known as the Bluffs Community Service District.

⁴⁰ Geographic estimates are based on LAFCo's GIS data depiction of PPUD, March 26, 2018.

Laguna Vista Avenue, North Valentine, and West Chennault Avenue. The District informed LAFCo that it provides service to 188 sewer connections in this area.

(The District estimates this area as only 67 acres. The District informed LAFCo that its estimates do not account for public rights-of-way and parcels that are not connected to the District's sewer lines. The District informed LAFCo that at least 10 parcels in Area A are equipped with their own private septic tank systems, and they are not connected to the District's sewer lines.)⁴¹

- Area B encompasses 158 acres near County Service Area No. 2 (Tenaya Park), and is generally bound by North Palm Avenue to the east, West Celeste Avenue to the south, North Fruit Avenue to the west, and West Sierra Avenue to the north. The District informed LAFCo that it bills for sewer service to 340 connections and regularly performs maintenance of the sewer maintenance work in this area. (The District informed LAFCo that it has historically estimated Area B to encompass 99 acres.)⁴²

The District began sewer service in Tenaya Park through a 1975 agreement between County of Fresno and PPUD ("1975 agreement"). The agreement enabled the County to form a County Improvement District No. 166 to assess a tax on properties to fund the construction of an 18-inch sewer main along Fruit Avenue between W. Bullard Avenue and W. Sample Avenue. The sewer main connected the Tenaya Park area to PPUD's sewer system so that sewage could be conveyed to PPUD's wastewater treatment plant at the north end of the District near the current intersection of Palm and Nees Avenues.

The 1975 agreement permitted the County and the City of Fresno the right to the use PPUD's facilities, sewer mains, lift stations, and the PPUD wastewater treatment facility to serve development in the Tenaya Park area. The agreement authorized PPUD to charge a connection fee, and a monthly bill for sewer service to property owners residing within Improvement District No. 166.

The formation of Improvement District No. 166 benefitted PPUD because it enabled the PPUD to collect additional revenue from new County-approved developments. The 1975 agreement conditionally authorized PPUD to collect sewer fees until such time that the District was able to abandon its sewer lift stations located at Fruit Avenue and Sample Avenue. The agreement foresaw that the District would eventually abandon its WWTP, and therefore the District would be prepared to connect its sewer system to the City's sewer system and District wastewater would be conveyed to and treated at the future regional wastewater treatment facility (sewer system) that was being planned by City of Fresno.

The terms of the 1975 agreement stipulate that PPUD monthly billing for sewer service would terminate within the Tenaya Park area once PPUD abandoned the two sewer lift stations. At that point, all assets and operation responsibilities of Improvement District No. 166 would succeed to the City of Fresno.

⁴¹ Communication with District staff, March 21, 2018.

⁴² Ibid.

Although the District has long abandoned the lift stations, the PPUD general manager informed LAFCo that circa 1980s several verbal agreements among previous City, County, and District officials allowed PPUD to continue service within Tenaya Park. Additionally, because residents of Tenaya Park have historically opposed annexation to the City of Fresno, city officials believe that this community would oppose the City's assumption of billing for sewer service fees in Area B, and have therefore made no effort to adjust billing pursuant to the 1975 agreement. Currently, the PPUD believes that it should continue to bill customers for sewer service. LAFCo notes that the District pays its proportional share of sewer user rates to the City of Fresno: 70 percent of sewer user fees are forwarded to the City of Fresno and the District retains 30 percent. The District's sewer rate is based on the City's fee schedule for residential and/or commercial connections.

During the preparation of this MSR, LAFCo observed that there were no duplication of billing service in Area B. However, sewer infrastructure in Area B is complex in that the PPUD owns sewer lines that connect to the City's sewer lines. Furthermore, there are sections of the City's sewer lines that are split by section of PPUD's lines that are necessary for sewage to be transferred out of Area B and out of locations in the City that are near Area B. Miscommunication between the City and District has occurred with regard to sewer maintenance work within the Tenaya Park area, the effect of which is that both agencies believe that they are accountable for the sewer system conditions within Area B.

- Area C encompasses less than eight acres and is located within the City south of Bullard Avenue, east of West Avenue, north of Celeste Avenue, and west of N. Channing Way. It primarily consists of commercial and high-density residential connections. LAFCo estimates 33 sewer connections exist within Area C.
- Area D is less than two acres and consists of two sewer connections to two parcels located outside of the City limits north of Sierra Avenue and east of Forkner Avenue.
- Area E is less than two acre and consists of four sewer connections that serve four parcels located inside the City limits, east of Harrison Avenue, south of Minarets Avenue, north of Locust Avenue, and west of Palm Bluffs Avenue.

The District confirmed that these locations were connected prior to the approval of CKH in 2000, which required cities and special districts to obtain written approval from the LAFCo prior to providing new or extended services outside its jurisdictional boundaries.⁴³ The purpose of Government Code section 56133 is to permit extension of service in anticipation of a future annexation of territory, rather than an agency using an extension-of-service to avoid annexation and circumvent the purpose of LAFCo's determined SOI. Because they are not within the PPUD SOI, these out-of-district areas currently served cannot be annexed to the District. Any further unauthorized extension of service by the District would not be consistent with current LAFCo policy and statute.⁴⁴

⁴³ GC section 56133.

⁴⁴ Commission Policies, Standards and Procedures Manual, LAFCo Policy No. 102 - 03.

District Reorganization

LAFCo's 2007 MSR recommended that the District and the City cooperatively study possible reorganization options and address the overlap of service provisions with regard to the following items:

- The Commission encouraged the PPUD and the City to participate in a joint investigation of the best mechanism for providing existing necessary services to the area served by the District. Such investigation should include consideration of possible dissolution of the District with the concurrent transfer of its assets and service obligations to the City.
- The Commission authorized the LAFCo staff to confer with the PPUD and the City regarding the possible dissolution of the District with the concurrent transfer of its assets and service obligations to the City.⁴⁵

During the preparation of this MSR update, LAFCo staff could find no written record that these recommendations were addressed by either agency. LAFCo staff reviewed the Commission's October 10, 2007, hearing audio and minutes.⁴⁶ The hearing audio captures contrasting perspectives amongst the Commission, PPUD, and City's representatives. PPUD legal counsel expressed his opposition to any LAFCo actions, studies, or recommendations that suggest the dissolution of the District. In contrast, the City Planning and Development representatives voiced their support of the recommendations in the MSR/SOI.

On January 18, 2018, the LAFCo executive officer sent a letter to the District and City to inform them that the PPUD MSR update was underway. The executive officer's letter posed the question to the District and the City's administration regarding the status of the District's continuing provision of services outside its current boundary, as well as the possible dissolution of the District and concurrent transfer of District assets, infrastructure, employees, and service obligations to the City. The City responded with its conditional agreement to discuss the matter. The District advised the executive officer that, "PPUD Board declined adopting a resolution, or similar action, formally directing PPUD staff to work with LAFCo and City of Fresno staff to conduct a study regarding the feasibility on dissolving PPUD."⁴⁷

Based on this correspondence, staff concludes that neither agency was particularly motivated to undertake a study to evaluate the feasibility of a district reorganization to address the issues raised in the 2007 MSR. Additional information with regard feasible governmental reorganizations, and commission policy is provided later in this report under section, "Other matters related to effective or efficient service delivery."

AUTHORIZED DISTRICT SERVICES

Under Government Code (GC) section 56425(i), "when adopting, amending, or updating a sphere of influence for a special district, the commission shall establish the nature, location, and extent of any functions or classes of services provided by existing districts."

⁴⁵ MSR Resolution No. 07-36, PPUD MSR.

⁴⁶ October 10, 2010 LAFCo Hearing Audio, Item #18 PPUD MSR/SOI, audio time 02hrs 25secs.

⁴⁷ Appendix A - RE: LAFCo Request Regarding PPUD, correspondence.

A public utility district is authorized by its principal act to perform a range of activities necessary to provide its residents and ratepayers with reliable utility services within its service area.⁴⁸ These activities include public lighting, domestic water, power, heat, transportation, telephone service, or other means of communication, or means for the disposition of garbage, sewage, or refuse matter.⁴⁹ A public utility district's powers and functions are categorized in eight sections as follows: corporate powers, property, utility works and services, purchase of supplies and advertising, indebtedness and financing, receipts, accounts and audits, taxation, and payment of claims against districts.⁵⁰

The PPUD is authorized by its formation documents to provide the following utility services:

- wastewater collection;
- street lighting;
- street sweeping; and
- landscape/median maintenance.

All other services, facilities, functions or powers enumerated in the District's principal act are determined to be "latent," meaning that they are authorized by the principal act under which the District is formed but are not being provided by the District at the time this service review report was prepared.⁵¹ Activation of latent powers and services not currently provided by the District requires LAFCo authorization.⁵²

FRESNO LAFCO MUNICIPAL SERVICE REVIEW POLICY

A MSR is required in order to prepare or update a local agency's sphere of influence. While the Commission is not required by law to make any changes to a SOI, the Commission may, at its discretion, opt to reaffirm, expand, delete a SOI, or approve, deny, or approve with conditions any changes of organization or reorganization impacting the governmental agency as a result of the information gathered during the MSR update process.⁵³

In accordance with GC section 56066, Fresno County is the principal county. Fresno LAFCo is responsible for updating the SOI for the District consistent with GC section 56425(g). In order to update the agency's SOI, Fresno LAFCo has prepared this service review consistent with GC section 56430.

DISTRICT GROWTH AND POPULATION PROJECTIONS

The American Community Survey ("ACS") land use policy documents adopted by the land use authorities, and growth projection reports were used to estimate population growth within the District's service area.

⁴⁸ PUC sec. 16401-16682.

⁴⁹ PUC sec. 16461.

⁵⁰ PUC sec. 16401 *et. seq.*

⁵¹ GC sec. 56050.5.

⁵² GC sec. 56021(m).

⁵³ Fresno LAFCo Policy 107 – Municipal Service Review Policy.

GIS files were derived from the U.S. Census Bureau to estimate a current population for territory inside the District. According to the ACS U.S. census tracts/block group units located within the District, there is an estimated total population of 6,784 people inside the District's service area.⁵⁴ This population estimate does not exactly match the boundaries of the District, and the census units include population estimates for portions in the City.

The City is land use authority for all incorporated territory inside the District's service area. The City's 2014 General Plan and Bullard Community Plan designates the all of the land within the District for urban use. Both the City's General Plan and the Bullard Community Plan anticipate minimal growth to occur beyond the current state.

The County is the land use authority for the unincorporated territory served by the District. The County adopted the Bullard Community Plan in June 1963. This community plan was last updated by the County in 1991. The unincorporated areas within the District are developed consistent with the County's Bullard Community Plan, with little opportunity to intensify these areas with additional land uses.

The District does not have land use authority; however, the District participates with the City and County in the evaluation of land use entitlement proposals that may affect the District's services.

The District is almost entirely built-out to its highest and best uses. Its opportunity for growth (by annexation of area served to the service area) appears to be limited. One exception is the Bluff's Community. During the preparation of this MSR the District informed LAFCo that it does not provide sewer service to the unincorporated area known as the Bluffs Community, located immediately north of the City of Fresno. The community is bounded by the San Joaquin River to the north (Fresno-Madera County line), Alluvial Avenue to the east and south, and the Carruth Avenue alignment to the west. The Bluffs Community consists of approximately 53 rural residential parcels on approximately 35 acres all on private septic systems.

With regard to potential growth, if a future need for sewer service were to arise, the Bluffs Community is the only location that may present an opportunity to connect to PPUD sewer service. The closest sewer main to the community is owned and managed by the PPUD near the intersection of Alluvial Avenue and Moraga Road. Even though the Bluffs Community is within the PPUD SOI, the District has no plans to extend sewer services to this area. The District informed LAFCo that if the Bluffs were to request for sewer service, the District would require the installation of a lift station at the lowest point of the Bluffs Community with adequate capacity to convey sewage up to the District's sewer main. The engineering, planning and project costs would be borne by the petitioning parties. Currently, the City of Fresno does not own any sewer lines near the Bluffs Community therefore PPUD would be in a better position to provide sewer service to this area.

LAFCo observes that Bluffs Community Service District provides this community with landscape maintenance and Pinedale County Water District provides the community with municipal water.

⁵⁴ Calculated population by LAFCo based on three US census tracts, 4 block group units within the District, October 4, 2017.

DISADVANTAGED UNINCORPORATED COMMUNITIES

The CKH requires LAFCo to make determinations regarding "disadvantaged unincorporated communities" ("DUCs") when considering a change of organization, reorganization, SOI expansion, and when conducting MSRs.

For any updates to a SOI of a local agency (city or special district) that provides public facilities or services related to sewer, municipal and industrial water, or structural fire protection, the Commission shall consider and prepare written determinations regarding the present and planned capacity of public facilities and adequacy of public services, and infrastructure needs or deficiencies for any DUC within or contiguous to the SOI of a city or special district.

GC section 56033.5 defines a DUC as: i) all or a portion of a "disadvantaged community" as defined by Water Code (WC) section 79505.5 as territory with an annual median household income (MHI) that is less than 80 percent of the statewide annual median household income and as defined in GC section 56046 and WC section 79505.5; and has a status of ii) "inhabited territory" (12 or more registered voters), as defined by GC section 56046, or as determined by Commission policy. Fresno LAFCo policy further refines the definition of a DUC as having at least 15 dwelling units at a density not less than one unit per acre.

GIS files were derived from the ACS compiled for the five-year period 2010-2014 to identify the demographic composition for the various census geographies. Although the ACS provides annual and three-year estimates, the five-year reports between years 2010-2014 provide more precise data and mapping information for analyzing small populations. The five-year reports are the most reliable form of information generated by the US Census Bureau.⁵⁵ The statewide MHI reported for years 2010 through 2014 was \$61,489. Hence, the calculated threshold for a DUC is any geographic unit with a reported MHI that is less than \$49,191. The census block group data was utilized to provide the economic and population backgrounds for this section of the MSR.

LAFCo's assessment of the census unit data revealed that a substantial portion of the District exceeds the MHI threshold for DUCs. As of December 5, 2017, LAFCo did not find any indicators, physical evidence, or demographic data that reveals the existence of any DUCs within or near the District.⁵⁶

DISTRICT INFRASTRUCTURE

This section of the MSR summarizes the District's existing infrastructure conditions and identifies the District's infrastructure needs.

The District owns wastewater collection lines within the PPUD SOI, and benefits from shared facility agreements with the City that enable the District to continue providing wastewater collection service. The District provides public street lighting, street sweeping, and landscape maintenance service through contracts with local private companies. Street lighting, street

⁵⁵ US Census Bureau, http://www.census.gov/acs/www/guidance_for_data_users/estimates/.

⁵⁶ Disadvantaged Unincorporated Communities, as defined by California Water Code section 79505.5 and Fresno LAFCo Policy-106.

median maintenance, and street sweeping is provided by the District only in the unincorporated areas within the District. The contracts for services with private vendors are more fully described later in this report.

District office and equipment

The District leases an administrative office building located at 2560 West Shaw Lane, Suite 102, Fresno, California 93711. The District leases its office space under five-year lease contracts. The current office lease is effective from 2017 through 2021. The monthly office rent is \$971 and increases each year by approximately two percent.

The District leases a vehicle for the general manager to use on District-related activities. The monthly vehicle lease cost to the District is \$411. The District leases vehicles on three-year lease agreements.

The District does not own machinery necessary to provide public lighting, street sweeping, or landscape maintenance services. The District does not provide wastewater treatment services, but benefits from shared facility agreements with the City for the District's wastewater collection system to discharge into the City's collection system, which flows to the Fresno-Clovis Regional Wastewater Treatment Facility.

Public street lighting

The District owns its public street lighting fixtures and poles. It provides street lighting only within the unincorporated areas of its service area through a maintenance contract with Fresno-based Harris Electric. Harris Electric specializes in electrical design and management for local governments, commercial, industrial, and residential structures. The District does not provide or own any streetlights outside of the unincorporated territory within its service area. During FY 16-17, street lighting service expenditures amounted to \$1,792 paid to Pacific Gas and Electric. No repairs or maintenance services were performed by Harris Electric during this period.

Based on LAFCo records, when territory was annexed into the City, the development of those areas resulted in the extension of the City's streetlight system. The City provides street lighting within the incorporated areas of the District through a contract with Pacific Gas and Electric. Because the unincorporated areas in the District are essentially landlocked, expansion of the public street lighting system is not anticipated. See Figure 8 – PPUD service diagram, location that receive all PPUD services.

Wastewater collection system

The District owns approximately 25 miles of sewer lines in and outside of its service area and has agreements with the City to discharge into the City's wastewater collection system. The District provides wastewater collection services to approximately 2,690 residential and 103 commercial connections, for a total of approximately 2,793 sewer connections. The District informed LAFCo that 530 of these connections are outside of the District's service area—either outside of the District service area, but within the PPUD SOI, or outside the District's service area and the SOI.

As noted earlier in this service review, the District entered into the “1973 Contract” with the City to connect its sewer to the City sewer trunk lines and transfer sewage generated within the District to the City’s wastewater treatment plant. The District is permitted to provide wastewater collection services and wastewater management pursuant to RWQCB order No. 53-28.

The 1973 Contract enables the District to transport up to 0.26 million gallons per day (MGD) of wastewater discharges generated within the District to the Fresno-Clovis Regional Wastewater Reclamation Facility for treatment (“RWRF”).⁵⁷ The City is the Regional Sewer Agency for the Fresno-Clovis Metropolitan Area (“FCMA”), and owns the majority of the wastewater collection system that serves the FCMA including unincorporated areas within the cities of Fresno and Clovis SOIs. Through the agreement, the District is responsible to maintain its wastewater collection system. The Herndon Trunk Sewer, constructed in 1974, connects the District’s urbanized areas to the RWRF.

The RWRF received and treated approximately 72,302 acre-feet (“AF”) of wastewater during 2011, equivalent to an annual average daily flow of approximately 64.5 million gallons per day (“MGD”).⁵⁸ The RWRF’s permitted wastewater treatment capacity is 80.0 MGD as an annual average monthly flow, and 88.0 MGD as a maximum monthly average flow.

The City’s RWRF also serves a small portion of the unincorporated area in the FCMA, City of Clovis, and the Pinedale County Water District. The City’s wastewater collection system consists of over 23,000 manholes, 15 lift stations, nearly two miles of force mains, 54 junction structures, and approximately 1,498 miles of gravity sewer pipes ranging from 6” to 84” in diameter. The RWRF provides secondary wastewater treatment via primary settling and biological secondary processes.

The District informed LAFCo that it does not have a specific infrastructure maintenance/replacement program or capital improvement reserve. Based on discussions between LAFCo staff and the State Water Resources Control Board staff, the District should have an improvement plan or maintenance program that identifies and records maintenance performed by the District.⁵⁹

The State Water Resources Control Board’s (“SWRCB”) Wastewater Discharge Requirements (WDR) Order No. 2006-0003-DWQ adopted on May 2, 2006, require that all owners of public wastewater collection systems in the State with more than one mile of pipeline adopt and implement a Sewer System Management Plan (“SSMP”) to reduce the number and severity of Sanitary Sewer Overflows (SSOs). SSOs are overflows from sanitary sewer systems that include domestic, industrial, or commercial wastewaters that are served by the sanitary sewer system.

The SWRCB Order acknowledges that sanitary systems experience periodic failures resulting in discharges that affect waters of the State. A SSMP is a proactive approach that requires sewer agencies provide a written record for the system-wide operation, maintenance, and

⁵⁷ Electronic mail communication with District General Manager, November 21, 2017.

⁵⁸ City of Fresno General Plan and Development Code update Draft Master EIR, December 5, 2014, SCH#2012111015, <https://www.fresno.gov/darm/general-plan-development-code/#tab-07>.

⁵⁹ Electronic Communication with State Water Resources Control Board Engineer, December 13, 2018.

management plan in place that reduces the number and frequency of SSOs within the state. The SWRCB recognizes the District as a Small Municipal Sewage Collection Systems and the District is enrolled in the State's waste discharge order/program under Wastewater Discharge Identification Number 5SSO11428.⁶⁰

According to SWRCB Order No. 2006-0003-DWQ, the SSMP needs to be updated and filed with the State every five years, and it must account for any significant changes to the sewer system or regulations.⁶¹ The District last updated its SSMP January 5, 2007. According to the State's data, the District is in good standing, and does not have any code enforcement items or any violations filed on the California Integrated Water Quality System Project Website. Nevertheless, LAFCo observes that the District's SSMP needs to update its SSMP.

According to the District's Audited Financials ("2016-17 Audit") for the year ending June 30, 2017, the CPA noted that the District did not maintain historical cost records for the acquisition of property, [wastewater treatment] plant, and equipment prior to July 1, 1970.⁶²

According to the 2016-17 Audit, the District estimates its capital assets in a manner that is consistent with hypothetical criteria prescribed in paragraph 8107 of the State Controller's publication titled, "Uniform System of Accounts for Wastewater Disposal Districts." The 2016-17 Audit notes that District property, plant, and equipment acquired subsequent to June 30, 1970, has been recorded at cost and depreciated using the straight-line method over a span of five to 25 years, which is the typical lifespan estimate for any material asset. The District informed LAFCo that it regularly performs maintenance work on its sewer pipeline infrastructure. The District utilizes local companies to perform sewer back up and maintenance work. *AM/PM Plumbing* is the main service provider for this work, but the District has also utilized *Big Bore Drilling* and *George Dakovich and Sons* as needed and based on job type and availability. The District did not indicate to LAFCo any sewer system concerns that may affect existing and future service demands anticipated by the District. During FY 2016-17, the District's sewer maintenance services expenditures amounted to \$4,625. (Figure 2 – District sewer service diagram.)

Street Sweeping Services

The District provides street sweeping services through a contract with the Fresno-based company *Corner Clean Sweeping*. Corner Clean Sweeping provides power sweeping and street debris removal with broom or air sweeper trucks. The contractor performs weekly street sweepings within the unincorporated areas of the District service area, as depicted on Figure 8. The City provides street sweeping within the incorporated areas of the District. During FY 2016-17, street sweeping service expenditures amounted to \$10,309. (See Figure 8 – PPUD service diagram, location that receive all PPUD services.)

⁶⁰ California Integrated Water Quality System Project Website:

<https://ciwqs.waterboards.ca.gov/ciwqs/readOnly/PublicReportPartyAtGlanceServlet?reportID=2&paagrPartyID=358645&paagrFiveYearVios=true>

⁶¹SWRCB Order No. 2006-0003-DWQ,

https://www.waterboards.ca.gov/board_decisions/adopted_orders/water_quality/2006/wqo/wqo2006_0003.pdf

⁶² PPUD, Audited Financial Statements for year ended on June 30, 2017.

Landscape Maintenance Services

The District maintains street medians along major streets in the District's service area, as shown on *Figure 8*. Landscape and irrigation maintenance is provided by a Fresno-based company, *Champagne Landscaping*. Landscape maintenance is performed monthly and repairs to the irrigation system are performed on an as needed basis. Annual backflow inspections are provided by *Dirty Ernie's Landscaping*. The City maintains public landscaped areas within the incorporated areas of the District. During FY 2016-17, landscape maintenance service, including irrigation repairs, backflow inspections, labor costs, and utility and water bills, amounted to \$46,433. (See *Figure 8* – PPUD service diagram, location that receive all PPUD services.)

DISTRICT FINANCES

This section of the MSR includes financial information provided by District management. Financial data is analyzed by LAFCo so that it can determine if the District has sufficient revenues, and financial systems in place to continue providing services to its customers. The following information and analysis is based on the District's 2016-17 Audit and supporting documents made available by the District.

The District prepares and adopts an annual budget for all of its funds before July 1st of each year. The District's budget projects anticipated revenues and expenditures using detailed line items for the upcoming year. Once a budget is adopted by the board, it can only be amended by action of the board. All budget appropriations lapse at the end of the fiscal year. Actual budget results of the year can differ from the beginning of year estimates. Actual differences are identified at the close of each year or through the District's annual audited financial statements process. LAFCo notes that by end of June 30, 2017, the District showed a balanced budget.

The District's primary source of revenue is wastewater collection user fees charged to all District customers. During the development of this MSR, LAFCo confirmed that the District and City have adequate tracking methods in place that eliminate the possibility of duplicating customer-billing services. Based on available information, LAFCo found that the District wastewater collection rates are consistent and reflect the City's wastewater collection fees. LAFCo observes that technology advancements in electronic mapping software have been instrumental to assist the City in monitoring its sewer connections apart from the District's sewer connections. The District and the City converse frequently and maintain communication with regard to identifying their respective sewer customers and agency sewer lines.

The District receives its annual share of the one percent property taxes through the County Auditor-Controller/Treasurer-Tax Collector charged to all properties in its service area based on its pre-Proposition 13 level of taxation. For the fiscal year ending June 30, 2017, the District received \$155,383 from property taxes charged to 217 unincorporated parcels within the District's service area.⁶³ LAFCo notes that the District does not receive tax revenue from properties located within the city limits, nor from properties receiving out-of-district service.

⁶³ County of Fresno, Auditor-Controller/Treasurer-Tax Collector, Schedule of Levies for FY 2016-2017.

According to the District, operations are recorded solely as a proprietary fund, similar to those found in the private sector, and measurement focus is on determining net income and capital maintenance. Proprietary funds may be either enterprise funds or internal service funds. The District is an enterprise fund. Enterprise funds are used for operations that are financed primarily through user charges.

The District provided LAFCo a copy of its 2016-17 Audit. The District's 2016-17 Audit was reviewed to determine the District's fiscal status, assess financial practices, and to review pertinent management findings.

The 2016-17 Audit states the District's financial statements present fairly and in accordance with accounting principles generally accepted in the United States of America.

The District's audited financial statements reflect total operating revenues of \$345,473 and total operating expenses of \$232,976; resulting in operating income of \$112,497. Total non-operating income of \$38,386 is from interest income earned from funds on deposit with banks and the County treasury.

At the end of fiscal year ending on June 30, 2017, the District's total current assets amounted to \$3,419,868. The District's current assets category consists of its cash, investments, and accounts receivable.

For the same year, the District's noncurrent assets amounted to \$1,105,413. The District's noncurrent assets category consists of capital—land and other plant and equipment, less the accumulated depreciation—and other assets.

The District's total assets, which is the sum of total current assets and noncurrent assets, amounted to \$4,525,281 for the fiscal year ending on June 30, 2017.⁶⁴

The 2016-17 Audit reflects the District's total current liabilities, which include accounts payable, shared revenues, and prepaid service charges of \$202,803.

According to the 2016-17 Audit, the District's total liabilities and net position was \$4,525,281 for year ending on June 30, 2017. The District's total liabilities and net position category contains the District's net investment in capital assets and its unrestricted balance.

The District maintains its available cash in three accounts: a checking account and a savings account at Citibank, and the Fresno County Treasury. At June 30, 2017, total cash and District investments was \$3,242,815.

At the end of June 30, 2017, the reported amount of the District's bank balances were \$414,243. This balance is not an restricted reserve; nevertheless, the District has the ability to use the money toward unforeseen expenditures.

The District uses certain facilities and transmission lines owned by the City to provide services to users within the District's service area. Revenue to the District from billing customers consists

⁶⁴ PPUD Audited Financial Statements for year ended on June 30, 2017.

of three components: capital, operation and maintenance (“O&M”), and pretreatment (“PT”). The District pays the City 70% of the O&M and 100% of the capital and PT charges billed to customers. The District’s wastewater collection service rate is based on the City’s fee schedule for residential and/or commercial connections. The District’s monthly bills for residential sewer connections are \$25.81 per connection and is comprised of the following costs: O&M = \$16.95, Capital = \$8.80, and PT = \$0.06. By District practice, the District bills residential customers on a quarterly basis. The quarterly bill is \$77.43 (\$25.81 x 3 months). Residents may receive a senior rate of \$23.22 month or \$69.66 per quarter if they are 62 years or older and meet certain conditions. The District has the authority to collect unpaid customer charges for customers within the District service area by recording liens on real property through the Fresno County Recorder and Auditor-Controller/Treasurer-Tax Collector offices. Payment on the lien is received by the District when customers pay their annual property tax bill. The 2016-17 Audit reports that \$46,886 in unpaid customer charges were turned over to the County for collections.

For the fiscal years ending June 30, 2017 and 2016, the District’s operating revenues were \$345,473 and \$340,971, respectively. The District’s earnings do not include the City’s percentage of billings.⁶⁵

The total paid to the City during the 12-month periods ending June 30, 2017 and 2016 was \$703,761 and \$708,225, respectively. The amounts payable at June 30, 2017 and 2016 were \$183,498 and \$165,948, respectively, which are considered shared revenues.

As part of this review, the District provided LAFCo its adopted budgets for FY 2017-18 and 2016-17 to assess the District’s financial trends and the financial ability to continue providing service.

The District’s budgeted expenditures for FY 2017-18 totaled \$329,300. The largest expenditure line items include: salaries, directors’ per diem, utilities, system maintenance, professional services, office lease, strip maintenance, and tree maintenance. Additional expenditures include: repairs, auto, insurance, supplies, postage, street sweeping, elections fees, special districts dues and county collection/ recording fees.

The District’s budgeted revenues for FY 2017-18 totaled \$362,000. The District’s estimated revenues identified the following amounts and sources: \$173,000 in charges for services, \$145,000 in property taxes, and \$34,000 in interest earned on funds on deposit in banks and County treasury.

For FY 2017-18, the District showed a balanced budget and total estimated revenues exceeded anticipated expenditures by \$32,700.

PUBLIC FACILITIES, OPPORTUNITIES FOR SHARED FACILITIES

This section of the MSR considers the use of shared facilities, and their potential to offset costs or promote greater efficiency in provision of services within the region.

⁶⁵ PPUD, Audited Financial Statements for year ended on June 30, 2017.

Shared Facilities – Fresno-Clovis Regional Wastewater Reclamation Facility

The District benefits from its agreement with the City to discharge wastewater into the City's collection system for transport to the regional wastewater treatment plant. The City-PPUD agreement identifies the appropriate sewer fees that PPPUD pays the City.

The District informed LAFCo that it does not share any other facilities with other agencies or special districts that would improve the District's service deliveries.

Local Agency Boundary Overlaps

The District's service area overlaps with the following types of local agencies under LAFCo jurisdiction:

- City of Fresno
- Clovis Veteran Memorial District
- Bluffs Community Service District
- Kings River Conservation District
- Pinedale County Water District
- North Central Fire Protection District
- Fresno Metropolitan Flood Control District
- Fresno Irrigation District
- Fresno Mosquito Abatement District
- West Fresno County Red Scale District

GOVERNMENT ACCOUNTABILITY

This section of the MSR considers various topics, such as compliance with state disclosure laws, the Ralph M. Brown Act, public participation, open meetings, accessible staff, election processes, and the agency's governing structure. Additionally, this section of the MSR considers the agency's level of participation with the Commission's MSR Program.

Accountability for community service needs, including governmental structure and operational efficiencies is evaluated as part of the MSR Program to encourage the orderly formation of local government agencies, create logical boundaries, and promote the efficiency delivery of services. This MSR is an informational document that will be used by LAFCo, other local agencies, and the public at large to examine the government structure of the District.

The District is an independent special district with its separate board of directors, not governed by other legislative bodies (either a city council or a county board of supervisors). A body of three elected officials serve as the governing body of the District. The three members of the board are elected at-large by voters within the District service area to four-year terms or until their successor qualifies and takes office. According to the District, its three current board member have been appointed in lieu of an election by Fresno County Board of Supervisors, Supervisorial District 2.

All three District board seats are filled; two are set to expire in 2020, and one in 2022. Board members receive a \$400 per diem for each board meeting attended for a maximum compensation of \$4,800 per year as mandated by State law.⁶⁶

The District has one appointed full-time general manager responsible for the daily operations of the District, with the support of two part-time employees. The District's legal counsel services are provided through a contract with a local attorney with experience in local government. The general manager reports directly to the District board, and oversees office staff and service contracts, monitors the wastewater collection system, schedules maintenance work, and oversees the District's annual budget.

The District's part-time employees fulfill the controller/office manager and secretary/clerk roles and are responsible for billing and customer inquiries, maintaining payroll, accounting, and financial records. Both part-time employees assist on the preparation of the annual independent audit, prepare the draft annual budget, and address all administrative, regulatory or other compliance related matters.

The District's office is open to the public Monday through Friday, 9:00 a.m. to 4:00 p.m., and closed on major holidays. Customers can contact the office 24/7 through the District's voicemail system. When the office is closed, emergency calls are immediately forwarded to the general manager's mobile phone and email. The general manager is available 24/7 via mobile phone. During the preparation of this report, LAFCo observed that District staff is readily available to handle customer questions, billing questions, service requests, and concerns through the phone or in person.

The board of directors creates District policy by adopting resolutions and ordinances through duly-noticed public meetings. The District board meets on the third Tuesday of each month at 5:30 p.m. at the District office located at 2560 W. Shaw Lane #102, Fresno, CA 93711. Meetings are noticed consistent with Brown Act requirements, which include posting agendas and notices of hearings in public places. Public notices and agendas listing items to be considered by the board are displayed outside of the District office at least 72 hours before each meeting. District board meetings are open to the public and residents may attend the monthly board meetings. Opportunity to address the District board on items not on the agenda is provided on each meeting agenda. If a public member desires to present to the board, the person is encouraged to contact the District secretary, general manager, or the board president in advance to be scheduled on an upcoming agenda. The District informed LAFCo that it does not have a website. Customers communicate with District staff in person, by phone, or email.

The District informed LAFCo that board members are familiar with the Brown Act, and each director is provided a hard copy of the Brown Act. District management, applicable staff and each board member completes the mandatory, biennial trainings on Ethics and Harassment Prevention. District Management and/or staff and some board members have completed trainings on the Brown Act, record retention and management, agenda preparation and minutes, and fraud prevention. The District board members are encouraged to attend and/or complete any trainings provided by either the California Special District Association ("CSDA"), or any other certified agency or firm.

⁶⁶ PUC sec. 16001 – 16003, Terms and Compensation of Directors.

Public Utilities Code (“PUC”) sections 15951-16196 establishes a public utility district’s internal organization controls and outlines the public utility district election process, terms and compensation of directors, powers and duties of directors, board meetings and legislation, and describes officer roles.

PUC section 16071 states that the board shall establish rules for its proceedings and shall provide for the time and place of holding meetings and the manner in which special meetings may be called. During the preparation of this service review, the District did not provide to LAFCo a copy of any District policies, guidelines, bylaws, or adopted rules that state how the District conducts its proceedings. However, District responses to LAFCo’s information requests shows that District staff is knowledgeable with long-standing procedural practices, District records, and its internal governmental organizational hierarchy. The District informed LAFCo that the board has these specific policies in place: conflict of interest, asset capitalization, and an employee benefits policy. However, the District does not have a policy document in place that memorializes the District’s administrative and governmental practices.

The District is a member of the California Special Districts Association (CSDA). The CSDA is the association that provides a voice for all independent special districts in the State by promoting legislative representation, educational resources, and special district support and collaboration.

The District’s government structure, as evaluated during this service review, demonstrated characteristics of reliable staff and responsive to LAFCo’s information requests. Based on LAFCo’s interaction with the District during the MSR process, the District’s government structure appears to be adequately structured, operates, and fulfills its role as a services provider within the community.

ANY OTHER MATTERS RELATED TO EFFECTIVE OR EFFICIENT SERVICE DELIVERY

A MSR must consider and analyze the issues and written determination(s) for each of the seven determinations identified in GC section 56430. This section considers other matters that could relate to the potential future SOI determination and/or additional effort to review potential advantages or disadvantages of recommending consolidation, merger, dissolution or reorganization of local agencies that further the LAFCo goals of encouraging the orderly development and efficient and affordable service deliveries.⁶⁷

This section also considers Fresno LAFCo policy 101(3) that states, “Reorganization of overlapping and competing agencies or illogical boundaries dividing agency service areas is recommended...where the result will be better service, reduced cost, and/or more efficient and visible administration of services to the citizens.”⁶⁸

The MSR observes that the City’s and the PPUD’s overlapping conditions are an example of historical annexation trends, practices, and policies stemming from the 1950s through mid-1970s, that created what would now be considered illogical and gerrymandered boundaries.

⁶⁷ Government Code Section 56425(h), Feasibility of governmental reorganization.

⁶⁸ Fresno LAFCO Policy 101(3) – Encouraging Orderly Formation and Development of Agencies.

Based on previous LAFCo reports pertaining to the District, it is reasonable to consider why the District hasn't been dissolved or merged with the City?

It was well-intended for the 2007 MSR to encourage both agencies to evaluate a change of organization that would resolve overlap and out-of-district service to unincorporated areas. At that time *consolidation* was recommended, though staff believes now that it is more practical to recommend *merger* of the District with the City. In 2007, "consolidation" meant, and still means, the uniting or joining of two or more *cities* located in the same county into a single new successor city or two or more *districts* into a single new successor district.⁶⁹ Because the District is not a city, and the City is not a district, consolidation of the two is simply not feasible under statute. In this case, *merger* is a more accurate description of what was intended in 2007.

It is therefore appropriate to assess whether a *merger* of the District with the City would resolve the boundary and out-of-district sewer issues identified in this service review. A merger means the termination of the existence of a district and the assumption by the City of the responsibility for the functions, services, assets, and liabilities of the district.⁷⁰ A merger would reduce the number of agencies providing sewer service in northwest Fresno. However, only city residents would be permitted full franchise in the operation of the City (the successor of the former District). Thus, merger addresses the problem of duplicate service providers by replacing it with another, an expanded service area with additional unenfranchised customers. Though the unincorporated area customers would receive the same level of service as their neighbors in the City, they would not be able to vote for City council members who would essentially serve as the board of the city wastewater system. This arrangement is similar to the lack of franchise experienced by the out-of-district PPUD customers.

The lack of franchise could be mitigated by a City annexation program whose goal was the elimination of unincorporated territory in the northwest. In this scenario, the annexation program would eventually annex these territories and permit the full franchise of these customers. But the city does not have such a program and, as noted earlier in this review, does not intend to initiate one. In addition, the City is reluctant to assume the responsibility to bill customers in the Tenaya Park neighborhood.

These two conditions support the continuation of the PPUD as a viable independent special district.

⁶⁹ GC sec. 56030.

⁷⁰ GC sec. 56056.

2. MSR DETERMINATIONS

This portion of the report addresses the factors specified in the governing statute for MSRs and provides analysis in conformance with GC section 56425 and Fresno LAFCo policy. Pursuant to GC section 56430, the Commission has prepared the following written determinations.

1. GROWTH AND POPULATION PROJECTIONS FOR THE AFFECTED AREA

- According to the ACS U.S. census tracts/block group units located within the District, there is an estimated total population of 6,784 people inside the District's service area.
- The City of Fresno is the land use authority for all incorporated territory served by the District. The City's General Plan and Bullard Community Plan designates the all of the land within the District for urban use. Both the City's General Plan and the Bullard Community Plan anticipate minimal additional growth to occur.
- The County of Fresno is the land use authority for unincorporated territory served by the District. The unincorporated areas within the District are developed consistent with the County's Bullard Community Plan with little opportunity to intensify these areas with additional land uses.
- The District's service area and SOI are fully within the City of Fresno's SOI.
- The District is essentially landlocked and substantive expansion of the District service areas is not anticipated.

2. THE LOCATION OF AND CHARACTERISTICS OF ANY DISADVANTAGED UNINCORPORATED COMMUNITY WITHIN OR CONTIGUOUS TO THE SPHERE OF INFLUENCE

- Only 237 acres of the District's service area remains unincorporated. Parcels within the unincorporated area receive District wastewater collection, street sweeping, landscape maintenance on the street medians, and street lighting. The City provides municipal water.
- Census data revealed that a substantial portion of the District exceeds the MHI threshold for DUCs. As of December 5, 2017, LAFCo did not find any indicators, physical evidence, or demographic data that reveals the existence of any DUCs within or adjacent to the District.

3. PRESENT AND PLANNED CAPACITY OF PUBLIC FACILITIES AND INFRASTRUCTURE NEEDS OR DEFICIENCIES

- The District owns approximately 25 miles of sewer lines within and outside of its service area and has agreements with the City to discharge into the City's wastewater collection system.
- The District provides wastewater collection services to approximately 2,690 residential and 103 commercial connections for a total of approximately 2,793 sewer connections.

- The District informed LAFCo that 530 of its sewer connections are either outside of the District service area but within its SOI or outside the District's service area and outside its SOI.
- The District provides public street lighting, street sweeping, and landscape maintenance service in limited unincorporated areas of the District through contracts with local private companies.
- The District does not own machinery or equipment necessary to provide public lighting, street sweeping, or landscape maintenance services.
- The District informed LAFCo that its services—sewer, landscaping, street lighting—all have adequate capacity to continue serving the District's needs.
- District services are not equally distributed throughout the District's service area: the City has assumed the responsibility to provide public street lighting, street sweeping, and landscape maintenance responsibilities from the incorporated portions of the District, with the exception of wastewater collection service.
- The 1973 Contract between the City and the District allowed the District to connect to the City's sewer trunk lines to convey sewage generated by District customers to the Fresno-Clovis Regional Wastewater Treatment Facility.
- The District is permitted by California Regional Water Quality Control Board order No. 53-28 to provide wastewater collection services and wastewater management.
- The 1973 Contract enables the District to transport up to 0.26 million gallons per day of wastewater discharges generated by District customers to the Fresno-Clovis Regional Wastewater Reclamation Facility for treatment.
- The District informed LAFCo that it does not have a capital improvement plan, emergency capital reserve, or infrastructure maintenance program.
- However, the District informed LAFCo that it regularly performs maintenance work on its sewer pipeline infrastructure.
- SWRCB Order No. 2006-0003-DWQ adopted on May 2, 2006, requires that all owners of public wastewater collection systems in the State with more than one mile of pipeline adopt and implement a SSMP.
- The SWRCB Order acknowledges that sanitary systems experience periodic failures resulting in discharges that affect waters of the State.
- The District's SSMP needs to be updated with the State every five years, and it must account for any significant changes to the sewer system or regulations.

- The District last updated its SSMP January 5, 2007, and the District is past due on its five-year update.
- The District leases an administrative office building located at 2560 West Shaw Lane, Suite 102, Fresno, California 93711. The District leases its office space under five-year lease contracts, current office lease is effective from 2017 through 2021.

4. FINANCIAL ABILITY OF AGENCY TO PROVIDE SERVICES

- The District prepares and adopts an annual budget for all of its funds on or before July 1st of each year. The District's budget projects anticipated revenues and expenditures using line items for the upcoming fiscal year.
- The District's budgeted revenues for FY 2017-18 totaled \$362,000, and budgeted expenditures for FY 2017-18 totaled \$329,300. For FY 2017-18, the District showed a balanced budget and total estimated revenues that would exceed anticipated expenditures by \$32,700.
- The District's primary source of revenue is sewer user fees charged to all District customers. The District also collects revenues from annual property taxes charged to all parcels within the District based on its pre-Proposition 13 level of taxation through the Fresno County Auditor-Controller/Treasurer-Tax Collector.
- According to the District's Audited Financial Statements for FY ending June 30, 2017, the District received \$155,383 from property taxes charged to 217 unincorporated parcels within the District's service area. LAFCo notes that the District does not receive tax revenue from properties located within the City of Fresno's incorporated limits, nor from properties receiving out-of-district service.
- The District's 2016-17 Audit reflects total operating revenues of \$345,473 and total operating expenses of \$232,976; resulting in operating income of \$112,497. Total non-operating income of \$38,386 is from interest income earned from funds on deposit with banks and the County treasury.
- For the FY ending on June 30, 2017, the audited financial statements reflect the District's total current liabilities, which includes accounts payable, shared revenues, and prepaid service charges are \$202,803.
- The District has the authority to collect unpaid customer charges for customers within the District service area by recording liens on real property through the County Recorder and Auditor-Controller/Treasurer-Tax Collector offices.
- The District's 2016-17 Audit reports \$46,886 in unpaid customer charges were turned over to Fresno County for collections.
- The District and City have adequate tracking methods in place that eliminate the possibility of duplicating customer-billing services. The District wastewater collection rates are consistent and reflect the City's wastewater collection fees.

- The District's billing to customers consists of three components: capital, operation and maintenance ("O&M") and pretreatment ("PT"). The District pays the City 70% of the O&M and 100% of the capital and PT charges billed to customers. The District's wastewater collection service rate is based on the City's fee schedule for residential and/or commercial connections.
- The District maintains its available cash in three accounts: checking, Citibank, and Fresno County Treasury. At the end of June 30, 2017, the reported amount of the District's bank balances were \$414,243. This balance is not a capital improvement reserve; nevertheless, the District has the ability to use the money toward unforeseen expenditures.
- The District has annual audits performed by independent certified public accountants. The audits are submitted to the Fresno County Auditor and State Controller. Annual audits conclude that the District's financial practices conformed with generally accepted accounting principles ("GAAP").
- Based on available financial information, the District is financially sound and demonstrates characteristics an agency that appropriately monitors its finances.

5. STATUS OF, AND OPPORTUNITIES FOR, SHARED FACILITIES

- The District benefits from its agreement with the City to discharge wastewater into the City's collection system for transport to the regional wastewater treatment plant.
- No other opportunities have been identified for shared facilities that would present a benefit to the PPUD, or improve service provisions within Pinedale.

6. ACCOUNTABILITY FOR COMMUNITY SERVICE NEEDS, INCLUDING GOVERNMENT STRUCTURE AND OPERATIONAL EFFICIENCIES

- The District is governed by a three-member board of directors, and functions independently from the County and the City. The District is an "independent special district," meaning it is not governed by another legislative body (either a city council or a County board of supervisors).
- The board of directors creates District policy by adopting resolutions and ordinances through duly-noticed public meetings.
- District board members receive a \$400 per diem for each board meeting attended for a maximum compensation of \$4,800 per year as mandated by State law.
- The District board meets on the third Tuesday of each month at 5:30 p.m. at the District office located at 2560 W. Shaw Lane #102, Fresno, CA 93711. Meetings are noticed consistent with Brown Act requirements, which include posting agendas and notices of hearings in public places.

- District board meetings are open to the public and residents are invited to attend the monthly board meetings. Opportunity to address the District board on items not on the agenda is provided on each meeting agenda.
- The District has one appointed full-time general manager responsible for the daily operations of the District, with the support of two part-time employees. The District's legal counsel services are provided by attorney James McKelvey, esq.
- District office is open to the public Monday through Friday, 9:00 a.m. to 4:00 p.m., and closed on major holidays. Customers can contact the office 24/7 through the District's voicemail system.
- The District has specific policies in place: conflict of interest, asset capitalization, and an employee benefits policy. However, the District does not have a policy document in place that memorializes the District's administrative and governmental practices.
- The MSR found that District staff is knowledgeable of long-standing procedural practices, District records, development history, and the PPUD's internal governmental organizational hierarchy.
- The District is a member of the CSDA. The CSDA is the association that provides a strong voice for all independent special districts in the State by promoting legislative representation, educational resources, and special district support and collaboration.
- LAFCo's assessment of the District-City boundaries reveals significant jurisdictional boundary overlap occurs within the District's service area.
- The District's service area does not accurately identify actual customers. The District's annual property tax revenue does not delineate sewer customer base. Furthermore, ratepayers outside of the District are not residents "of the district" and are therefore not qualified to be a candidate for the District board.

7. ANY OTHER MATTER RELATED TO EFFECTIVE OR EFFICIENT SERVICE DELIVERY, AS REQUIRED BY COMMISSION POLICY

- The City and PPUD entered into a "Contract for the Transportation and Treatment of Pinedale Public Utility District Sewage" ("1973 Contract"). Pursuant to the 1973 Contract, the District agreed to abandon its wastewater treatment plant in exchange to connect to the City's planned "Herndon-Cornelia Interceptor" sewer system.
- The 1973 Contract supports PPUD's ability to co-exist as a sewer provider within the Fresno-Clovis Metropolitan Area. The 1973 Contract stipulated that the District would provide wastewater collection service to any future project proposal within the City's limits once land was annexed to the City regardless if it was in or out of the District's service area.
- In at least 12 annexation proposals between the 1960s and 1980s, LAFCo conditionally approved annexations to the City that included project-specific City-District agreements

identifying PPUD as the wastewater collection provider, even though no boundary change was reflected on the District's service area.

- By the late 1980s, the City annexed much of the available land within the District's vicinity. Many of the characteristics that may now be considered as jurisdictional and service redundancies were created before and after the State's passage of AB 2870 (Knox, 1971) requiring LAFCOs to adopt spheres of influence for each local agency under its purview.
- Much of the City-District history took place prior to Fresno LAFCo's 1986 adoption of its Policies, Standards and Procedures Manual which specifically identified issues of concern that are visible today in City's and PPUD's boundaries.
- The 2007 MSR recommended that the District and the City discuss consolidation. This service review update found that there was a mutual disinterest between the City and PPUD to alter the status quo. There are historical and political barriers that, along with an absence of community support, are likely to contribute to the inertia toward any District modification.

3. SPHERE OF INFLUENCE UPDATE DETERMINATIONS

LAFCo has prepared this service review consistent with GC section 56430 in order to update the PPUD SOI in accordance with GC section 56425. The purpose of the service review is to get a “big picture” of the public services provided by a local agency, determine service needs, and make recommendations in order to promote the orderly development of local agencies.

In summary, the service review found that the PPUD is efficiently providing sewer service within its service area, locations in the PPUD SOI, and location within the Fresno SOI. The City and PPUD entered into a “Contract for the Transportation and Treatment of Pinedale Public Utility District Sewage” executed July 6, 1973. The MSR found that the 1973 Contract underwrites PPUD’s ability to co-exist as a sewer provider within the Fresno-Clovis Metropolitan Area.

The 1973 Contract entitles PPUD to transport up to 0.26 million gallons per day of discharge to the Fresno-Clovis Regional Wastewater Reclamation Facility for treatment (“RWRF”). Through the 1973 Contract, the District is responsible to maintain its wastewater collection system.

Sphere of Influence Analysis

This service review examines facts related to the District, primarily its “service conditions” (service area vs. the area it serves), including territories outside of the PPUD SOI, and the influence of the 1973 Contract to the variety of service conditions. In light of the information presented in this service review, including but not limited to the itemized list of consequences presented in the “Diagram of District Services” section, and given LAFCo’s legislative mandate, it is now appropriate to consider what, if any, action(s) should Fresno LAFCo take to address the service conditions.

Options considered include deleting the PPUD SOI or leaving it as is. Deleting the PPUD SOI, a practice known as a “zero sphere,” would be an *interim* measure to communicate to the District and the City the Commission’s determination that this District should merge its services and operations with the City. This would have no effect on the services delivered by the District but would preclude future annexations which must be consistent with the SOI.⁷¹ Because it is an interim measure, a “zero sphere” option signals the approach of a subsequent action such as merger of the PPUD with the City. This option is not recommended because it is not likely to incentivize the District to take action to alter the status quo.

Leaving the SOI as-is does nothing to address the service conditions and lack of franchise of the District customers outside of the service area. Though these conditions reflect the past actions taken by at least three public agencies over decades of growth and development, if LAFCo takes no action to modify the District or its SOI, these conditions will persist with little apparent effect on the rate paid or on the day-to-day service provided, though, as has been noted that the ratepayers not residing in the PPUD service area would continue to not enjoy full participation and franchise in the operation of the District.

⁷¹ It is noted that a “zero sphere” could complicate requests for LAFCo to authorize extensions of PPUD service under GC sec. 56133 *et seq.*

This option is consistent with initial action taken by the District board to not pursue discussions with the City on consolidation, but does little to fulfill the LAFCo policy. Notably, but not exclusively, policy 102-03, which notes that within a sphere of influence of a City, the City should be the provider of urban services due to its higher visibility, its substantially broader sources of revenue, and its capacity to provide services.

This MSR update focuses on implementing the Commission's legislative mandate to obtain and furnish information, contribute to the logical and reasonable development of local agencies, and to shape the development of local agencies.

District Modification: Merger

A change of district organization is appropriate to address the service conditions, a merger of the PPUD with the City is a logical step toward establishing a more orderly, logical, and efficient provision of service. At this point in time; however, neither the District nor the customers of these agencies have requested such action. The City recently requested that LAFCo initiate the merger proceedings. If the Commission were to initiate a merger of the PPUD with the City, it is obliged by statute to conduct a public hearing on the merger.

During this hearing, landowners and registered voters in the District would have the opportunity to protest the proceedings. Generally speaking, if 10 percent of the landowners or 10 percent of the registered voters residing in the District service area submitted protests during the public hearing, the Commission would be required to conduct an election at its own expense for confirmation by the registered voters residing in the District service area.

Two conditions must be considered when contemplating a Commission-initiated merger of the District with the City. The first is the affected agencies' mutual disinterest to study District reorganization options, which, if not addressed, could lead to those agencies active opposition to the change.

The second condition is the limit on participation by all of the District customers. As noted, the District's service area (corporate boundaries) encompasses 476 acres. If the Commission initiates a merger (defined as a "change of organization" under the Act), the service area would be the "affected territory" defined in statute as "territory for which a change of organization (such as a merger)...is proposed or ordered."⁷² The PPUD SOI encompasses 857 acres and the out-of-SOI area served encompasses an additional 327 acres.

These acreages are noteworthy because the District boundaries were never expanded to include these parcels, any protest submitted by the out-of-district customers during the hearing to consider the merger,⁷³ or a subsequent Conducting Authority proceeding,⁷⁴ would not carry the same statutory effectiveness as the protest of landowners and registered voters in the 476-acre PPUD service area. In order to address these conditions, LAFCo can establish the direction of a

⁷² GC sec. 56015.

⁷³ GC sec. 56663.

⁷⁴ GC sec. 57051.

more orderly District service area by revising the PPUD SOI in anticipation of the annexation of all properties served into the District, and enfranchisement of all District customers.

SOI Revision: Expand the PPUD SOI to facilitate annexation of all properties served to the District

Revising the PPUD SOI to encompass all territories served by the District effectively addresses the service conditions presented in this review:

- recognizes the areas served and likely to continue to be served by the District in the next 20 to 25 years (the “probable physical boundaries and service area” of the District;
- serves as a necessary prerequisite of the annexation of the territory served; and
- enfranchises all ratepayers to participate equally in the operation of the District.

GC sec. 56001 recommends that, “a single multipurpose governmental agency...may be the best mechanism for establishing community service priorities, especially in urban areas.” This statutory advice ostensibly favors a merger but, as noted earlier, merger does not yet have the institutional momentum on the part of the District nor City.

Revising the PPUD SOI, as shown on Figure 3 – Proposed PPUD SOI update, would update PPUD’s existing 857 acres SOI to include an additional 327 acres. The updated PPUD SOI would encompass 1,184 acres and correctly include all customers receiving PPUD sewer service in preparation for eventual annexation to the District.

LAFCo does not anticipate a physical effect or effect on the environment to occur as a consequence of the SOI amendment. LAFCo expects to continue working with the District so that the PPUD submits to LAFCo a complete application(s) to initiate the annexation of all territories served by PPUD into the District’s service area. The SOI update is the prerequisite for annexation which, because it also has little potential to have an effect on the environment because it also would reflect existing service conditions.

When LAFCo updates a SOI for a local governmental agency within its purview, it must adopt specific determinations with respect to the following factors:

1. PRESENT AND PLANNED LAND USES, INCLUDING AGRICULTURAL AND OPEN-SPACE LANDS

- The District is almost entirely built-out to its highest and best uses: urban density residential, commercial, and open space uses. No agricultural land exists within the District, or within the LAFCo posed SOI update.
- City of Fresno is land use authority for all incorporated territory inside the District’s service area, and the City designates planned land uses for areas within the City SOI consistent with the General Plan and Bullard Community Plan. The City’s General Plan designates all of the land within the District for urban use. Both the City’s General Plan and the Bullard Community Plan anticipate minimal additional growth to occur.
- The County of Fresno is the land use authority for the unincorporated territory served by the District. The County adopted the Bullard Community Plan June 1963. This

community plan was last updated by the County in 1991. The unincorporated areas within the District are developed consistent with the County's Bullard Community Plan with little opportunity to intensify these areas with additional land uses.

- The District does not have land use authority; however, the District participates with the City and County in the evaluation of land use entitlement proposals that may affect the District's services.

2. PRESENT AND PROBABLE NEED FOR PUBLIC FACILITIES AND SERVICES IN THE AREA

- Sewer service provided by the District is necessary for public health and safety.
- The District has communicated with LAFCo staff that if the PPUD SOI is amended it plans to annex all out-of-district customers into the District.
- The District owns approximately 25 miles of sewer lines within and outside of its service area and has agreements with the City to discharge into the City's wastewater collection system. The District provides wastewater collection services to approximately 2,690 residential and 103 commercial connections, for a total of 2,790 sewer connections.
- The District regularly performs maintenance work on its sewer pipeline infrastructure.
- The District provides public street lighting, street sweeping, and landscape maintenance service through contracts with local private companies. Street lighting, street median maintenance, and street sweeping is provided by the District only in the unincorporated areas within the District.
- District services are not equally distributed throughout the District's service area, because the City has assumed the responsibility to provide public street lighting, street sweeping, and landscape maintenance responsibilities from the incorporated portions of the District, with the exception of wastewater collection service.

3. PRESENT CAPACITY OF PUBLIC FACILITIES AND ADEQUACY OF PUBLIC SERVICES THAT THE AGENCY PROVIDES OR IS AUTHORIZED TO PROVIDE

- The District currently has sufficient capacity to meet existing demands for sewer, public street lighting, street sweeping, and landscape maintenance service.
- The 1973 Contract enables the District to transport up to 0.26 million gallons per day of wastewater discharges generated within the District to the Fresno-Clovis RWRP for treatment.
- The District informed LAFCo that it does not have a formal capital improvement plan or infrastructure maintenance program, however the District regularly undertakes improvement projects to ensure sewer service is uninterrupted.

- Merger of the PPUD with the City is would be the most feasible action if supported by a City annexation program. In the absence of such a program, and amendment of the PPUD SOI and subsequent annexation of out-of-district customers to the District is the most achievable action to resolve the service conditions.

4. EXISTENCE OF ANY SOCIAL OR ECONOMIC COMMUNITIES OF INTEREST IN THE AREA IF THE COMMISSION DETERMINES THAT THEY ARE RELEVANT TO THE AGENCY

- As observed by LAFCo, there are no social or economic communities of interest that exist near the District relevant to the agency’s service provisions.

5. THE PRESENT AND PROBABLE NEED FOR THOSE PUBLIC FACILITIES AND SERVICES OF ANY DISADVANTAGED UNINCORPORATED COMMUNITIES WITHIN THE EXISTING SPHERE OF INFLUENCE

- LAFCo’s assessment of the census unit data revealed that a substantial portion of the District exceeds the MHI threshold for Disadvantaged Communities. As of December 5, 2018, LAFCo did not find any indicators, physical evidence, or demographic data that reveals the existence of any DUCs within or near the District.

4. RECOMMENDATIONS

In consideration of information gathered and evaluated in this Municipal Service Review, it is recommended the Commission:

1. Receive this report and any public testimony regarding the proposed Municipal Service Review and proposed sphere of influence update.
2. Find that the Municipal Service Review is exempt from the California Environmental Quality Act pursuant to CEQA Guidelines section 15306 (Information Collection).
3. Approve the recommended Municipal Service Review determinations, together with any changes deemed appropriate.
4. Approve the recommended sphere of influence update determinations, together with any changes deemed appropriate.
5. Find that the proposed revision of the Pinedale Public Utility District sphere of influence is exempt from the California Environmental Quality Act pursuant to CEQA Guidelines section 15301 (Existing facilities).
6. Revise the Pinedale Public Utility District sphere of influence to include all territory served by the District, including properties on private septic systems adjacent to these territories, as depicted in Figure 3 of the MSR.
7. Advise the PPUD to update its January 5, 2007, Sewer System Management Plan/Sanitary Sewer Overflows (WDID No. 5SSO11428) filed with the State Water Resources Control Board, Integrated Water Quality System Project, consistent with Order No. 2006-0003-DWQ requirements.
8. Direct the District to :
 - a. Within one year present to the Commission a plan to annex all territory within the revised PPUD sphere of influence, such a plan to include—but not be limited to—a description of the District’s public outreach and information program, estimated funding for one or more annexations, and a schedule of anticipated milestone dates for annexation application(s).
 - b. Authorize the Executive Officer to work with the District to support its satisfaction of this recommendation and to provide three and six-month updates of the District’s progress.
9. The District is advised that failure to perform these tasks may result in the Commission taking other action to address the service conditions.

5 . ACKNOWLEDGEMENTS

This Municipal Service Review update was prepared by Fresno LAFCO. Supporting documentation was made available through the effective partnership between District staff, City of Fresno staff, and LAFCo. LAFCo extends its appreciation to the District and City of Fresno for their assistance in the development of this Municipal Service Review.

Available Documentation – documents used for the preparation of this report consist of public records and are available at the Fresno Local Agency Formation Commission Office located at:

Fresno Local Agency Formation Commission
2607 Fresno Street, Suite B
Fresno, California 93721

The Municipal Service Review is available on Fresno LAFCo's website, <http://www.fresnolaftco.org/default.asp>

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FIGURE 1 –PPUD MAP USED IN 2007 MSR

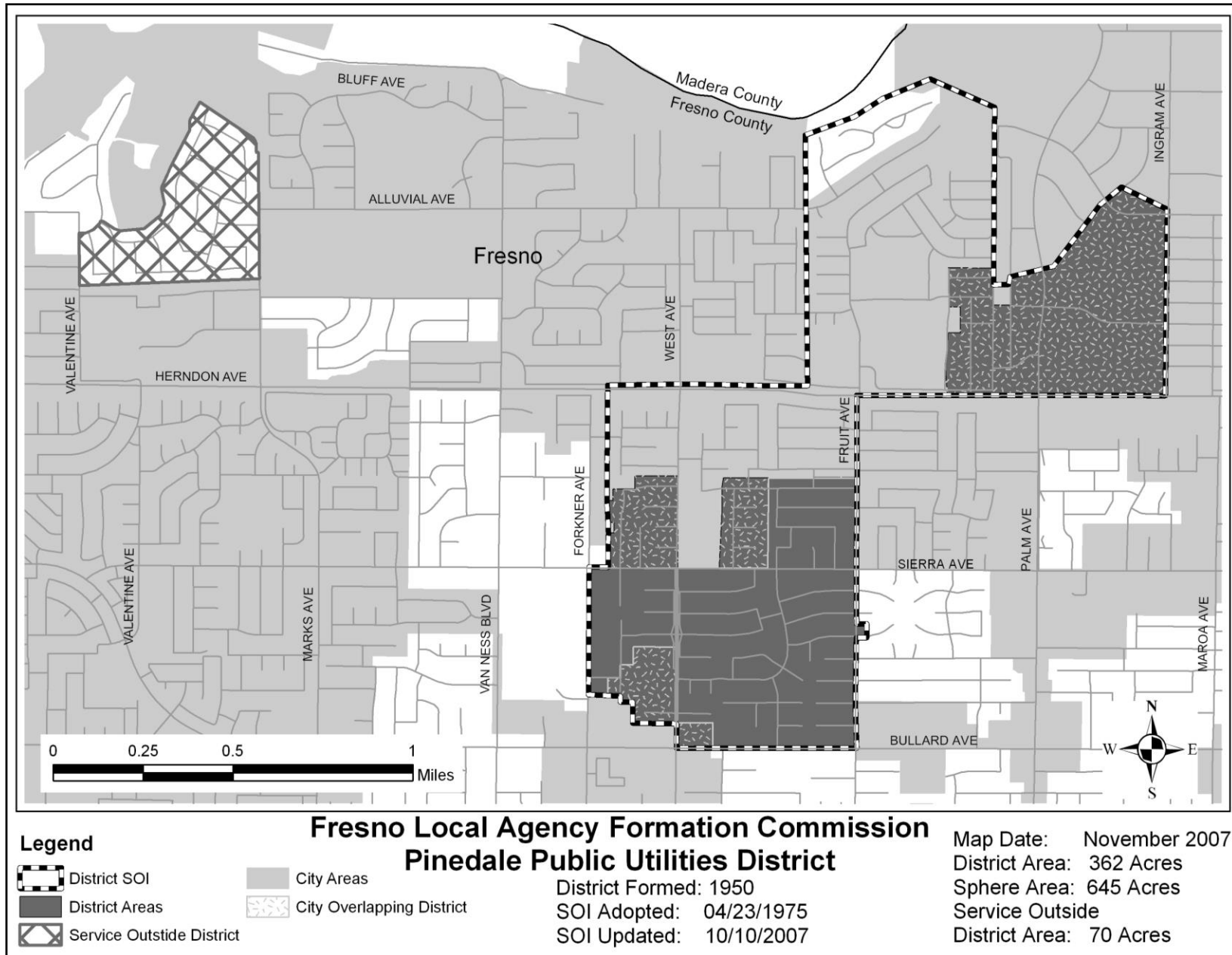


FIGURE 2 - PPUD SEWER SERVICE DIAGRAM, 2019 MAP UPDATE

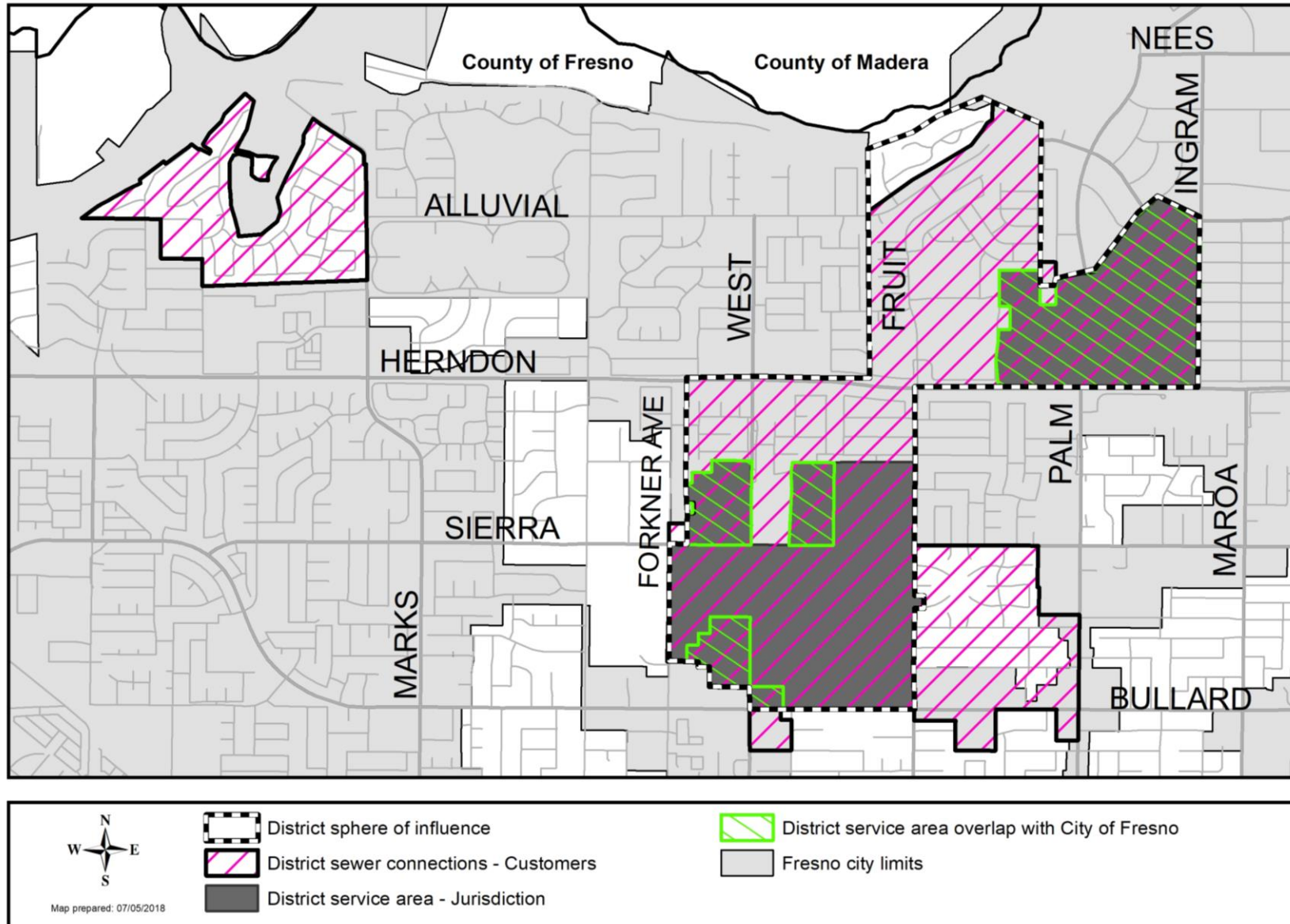


FIGURE 3 – PROPOSED 2019 PPUD SOI UPDATE

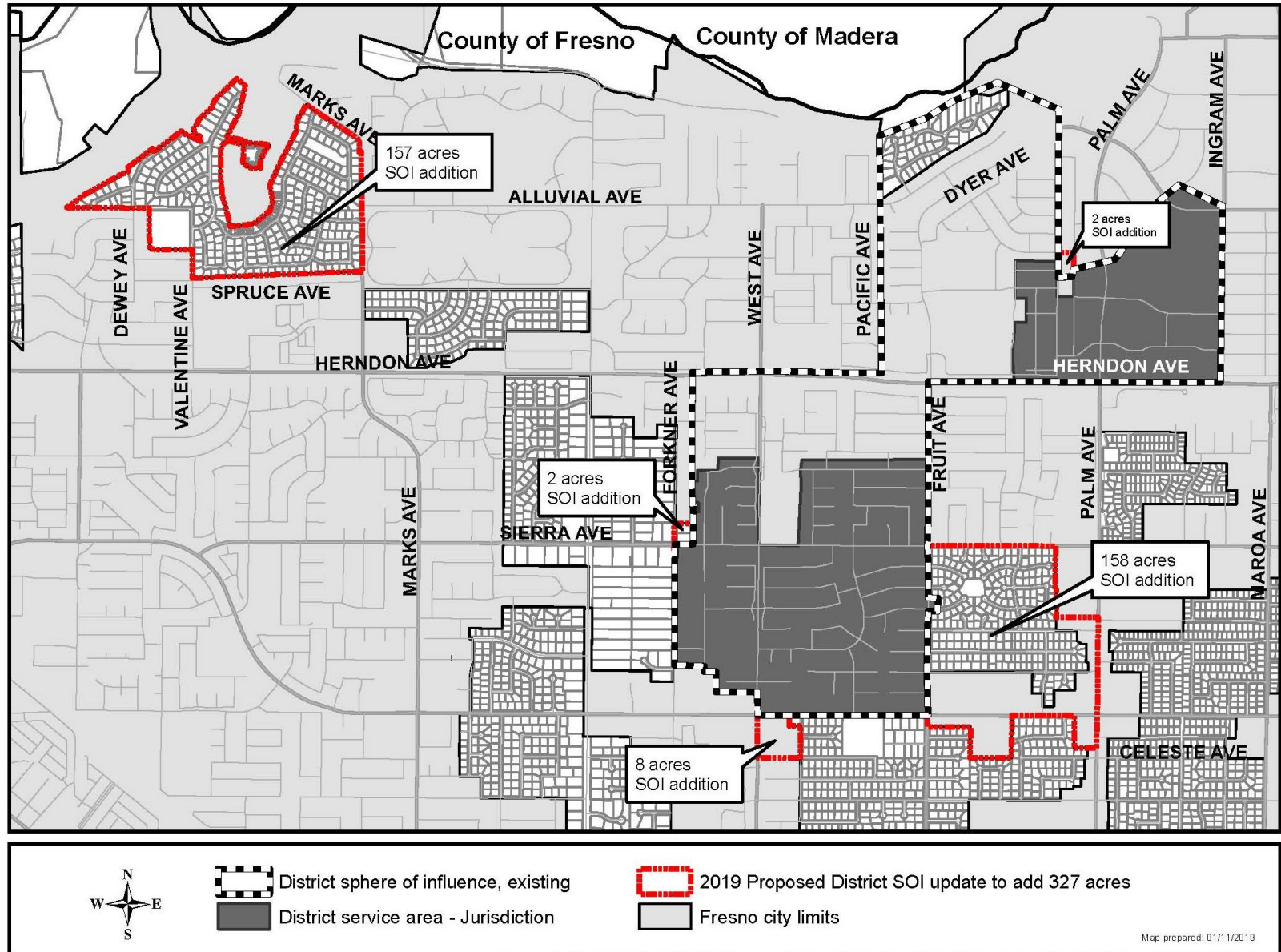


FIGURE 4 – INCORPORATED AREAS WITHIN PPUD'S SERVICE AREA

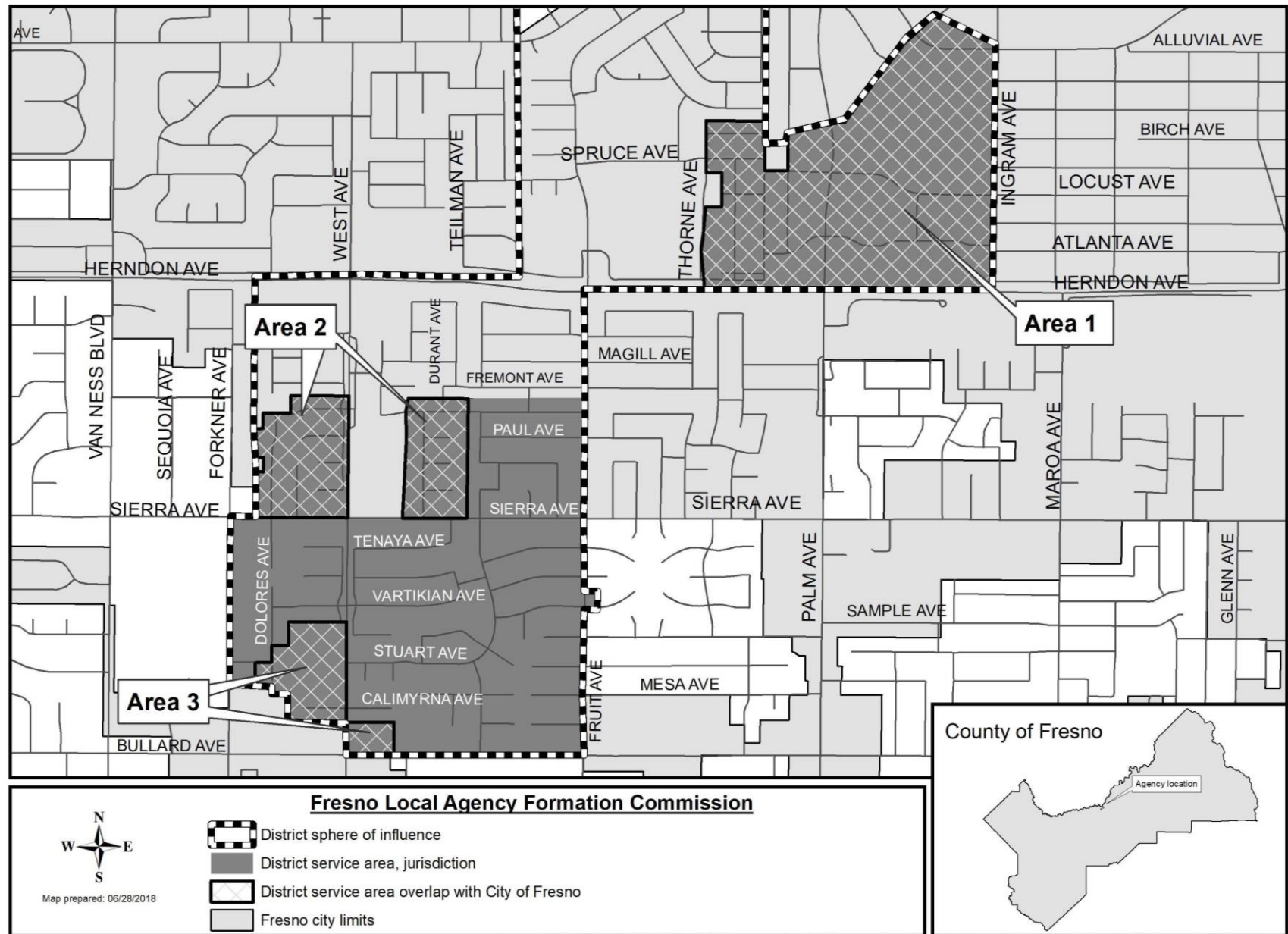


FIGURE 5 – UNINCORPORATED AREAS WITHIN PPUD’S SERVICE AREA

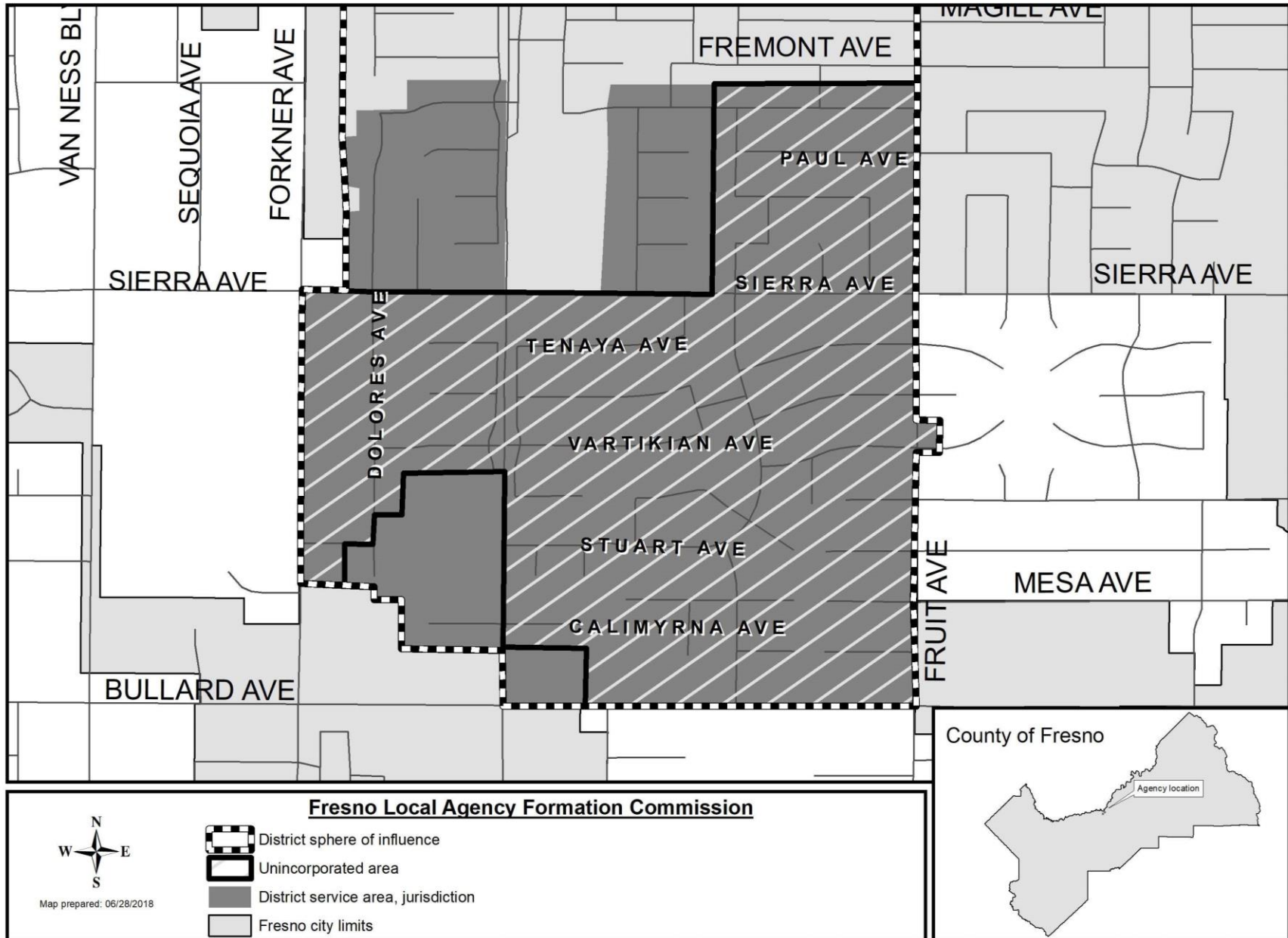


FIGURE 6 - OUT-OF-DISTRICT CUSTOMERS WITHIN 2007 PPUD SOI

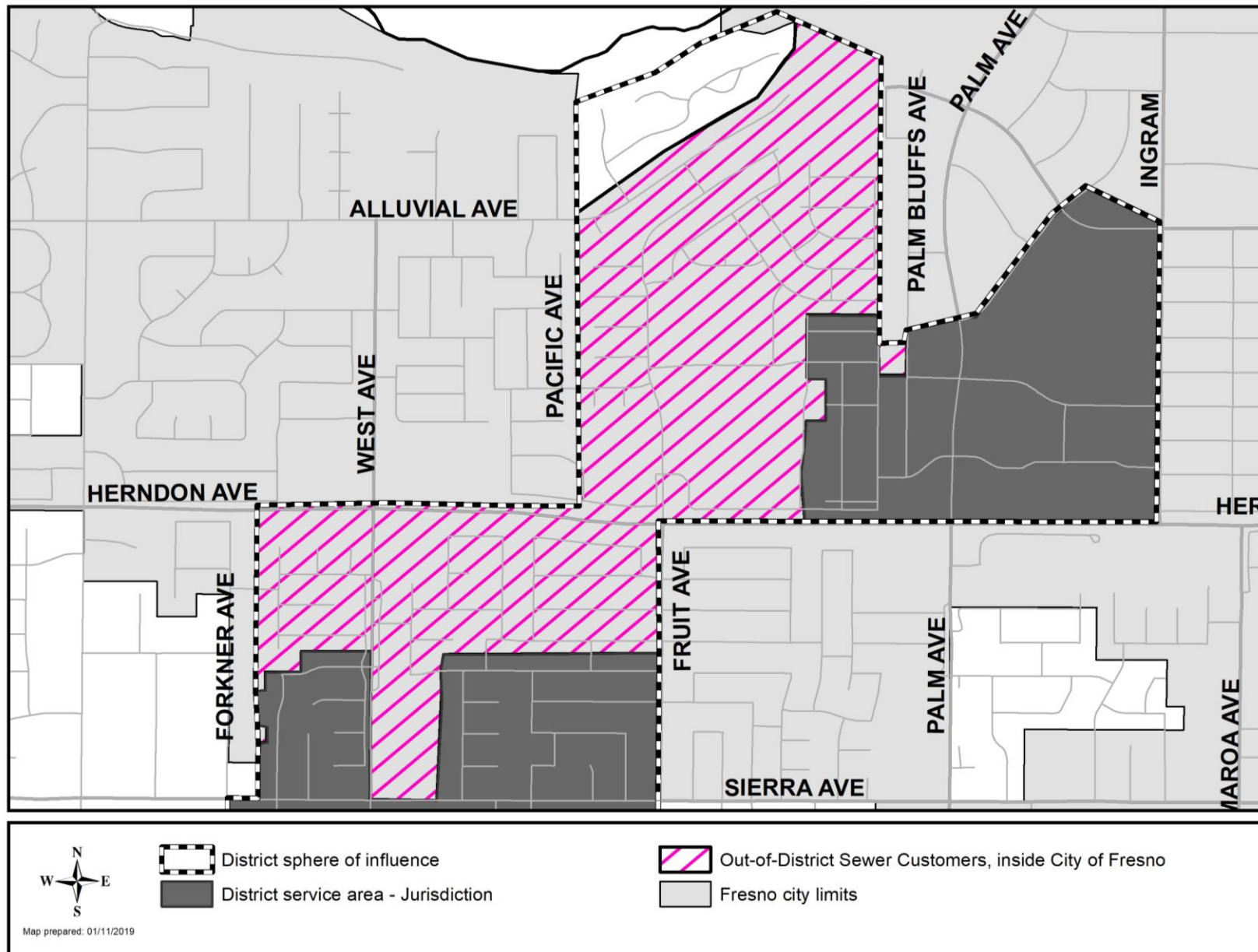


FIGURE 7 – OUT-OF-DISTRICT SEWER CUSTOMERS OUTSIDE THE 2007 PPUD SOI

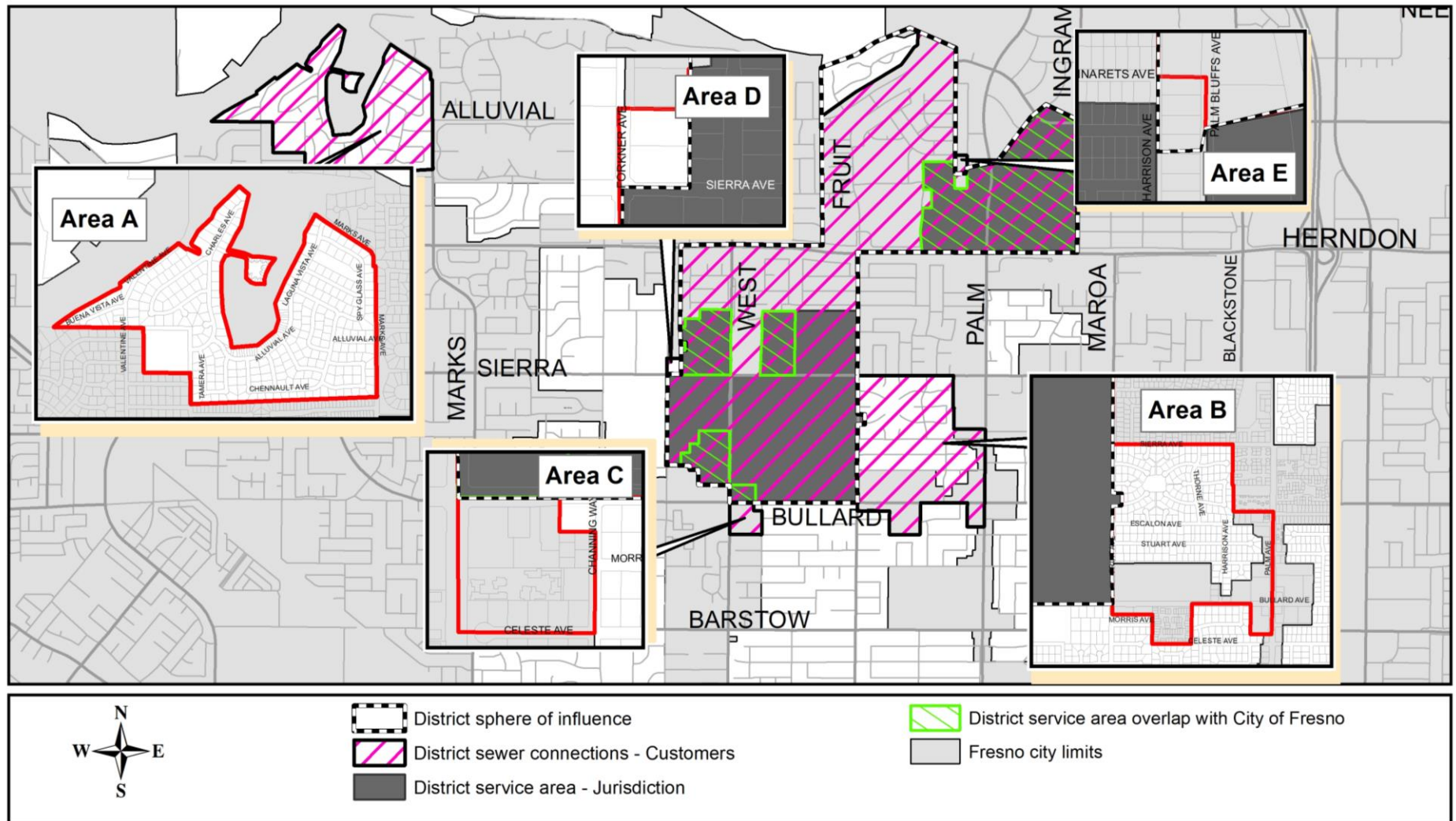
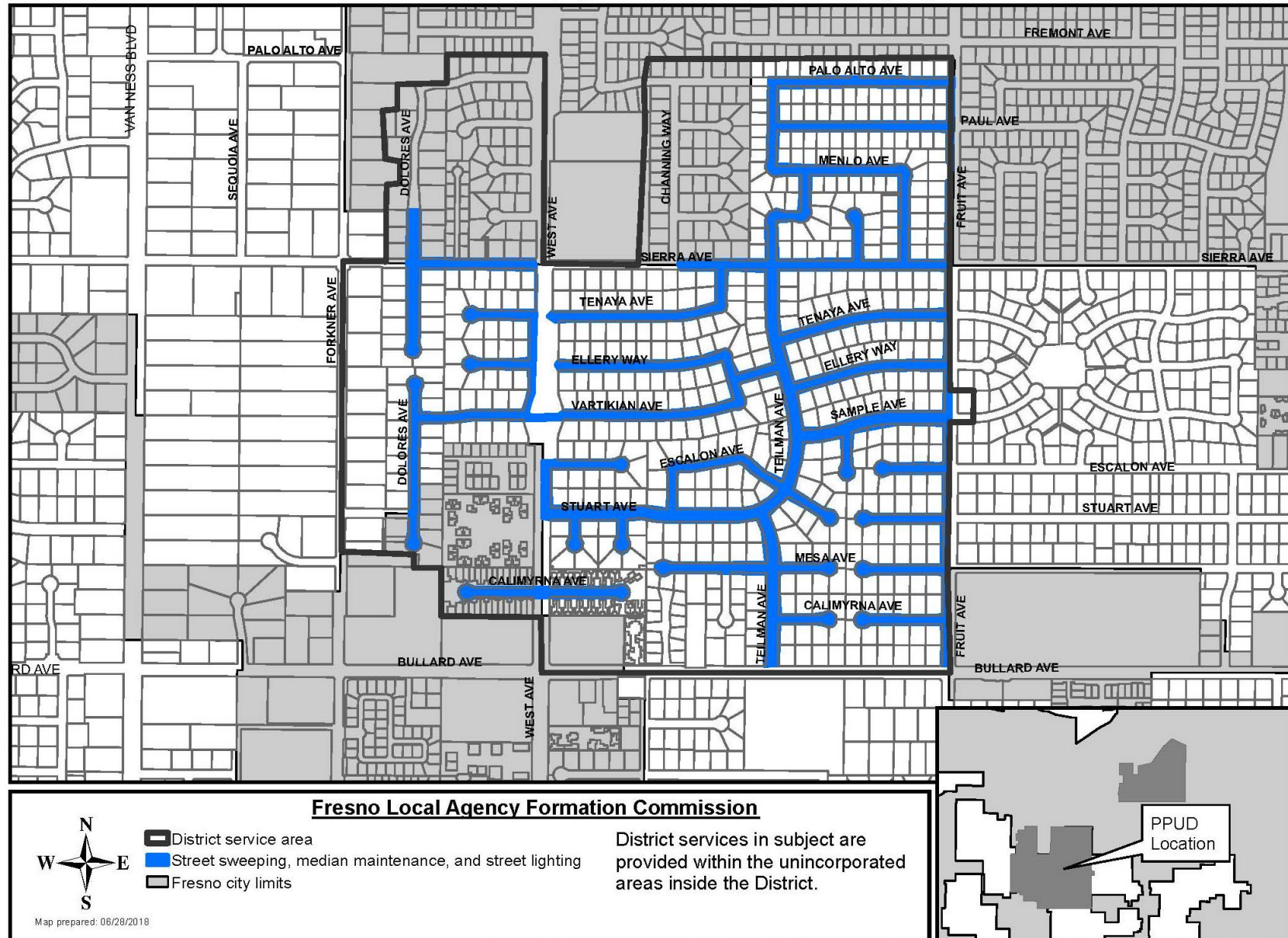


FIGURE 8 - PPUD SERVICE DIAGRAM, TERRITORIES THAT RECEIVE ALL PPUD SERVICES

Note: District street sweeping, median maintenance, and street lighting locations



**APPENDIX A - RE: LAFCO REQUEST REGARDING
PPUD, CORRESPONDENCE**



Fresno Local Agency Formation Commission

January 18, 2018

Jim Tsuruoka, General Manager
Pinedale Public Utility District
2560 West Shaw Lane, Suite #102
Fresno, California 93711

Wilma Quan-Schector, City Manager
City of Fresno
2600 Fresno Street
Fresno, California 93721

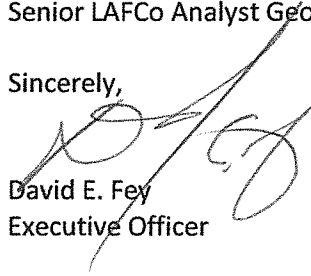
The Fresno Local Agency Formation Commission performed the 2007 Municipal Service Review for the Pinedale Public Utility District and took the following actions:

- Authorized LAFCo staff to confer with the Pinedale Public Utility District and the City of Fresno regarding the status of the District's continuing provision of service outside its current boundary, as well as the possible dissolution of the District and concurrent transfer of District assets, employees, and service obligations to the City of Fresno;
- Encouraged the Pinedale Public Utility District and the City of Fresno to participate in a joint investigation of the best mechanism for providing existing necessary services to the area served by the District. Such investigation should include consideration of possible dissolution of the District with the concurrent transfer of its assets and service obligations to the City of Fresno; and
- Authorized LAFCo staff to confer with the Pinedale Public Utility District and the City of Fresno regarding the possible dissolution of the District with the concurrent transfer of its assets and service obligations to the City of Fresno.

We have no record that LAFCo staff pursued these activities with your agencies. We have started the update of the PPUD MSR and observe that most of the conditions present in 2007 that supported the commission's determinations do not appear to have changed. I would, therefore, like to set up a meeting with both of your agencies to follow up on the commission's 2007 direction.

Please contact Amanda Graham to schedule your availability. In the meantime, please feel free to contact Senior LAFCo Analyst George Uc or myself at your convenience with any questions or comments.

Sincerely,



David E. Fey
Executive Officer

G:\LAFCo Projects\Districts\PUD\Pinedale Public Utility\MSR Update\Correspondence\Ltr Tsuruoka_Quan-Schector.docx

PINEDALE PUBLIC UTILITY DISTRICT

Received

March 9, 2018

MAR 14 2018
Fresno LAFCo

David E. Fey
Executive Officer
Fresno LAFCo
2607 Fresno Street, Ste B
Fresno, CA 93721

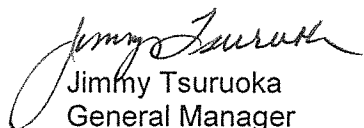
SUBJECT: LAFCo Request Regarding Pinedale Public Utility District (PPUD)

Dear Mr. Fey:

We received a copy of the City of Fresno letter dated February 2, 2018 (attached). At the February 20, 2018 Regular Meeting of our Board of Directors, the Board declined adopting a resolution, or similar action, formally directing PPUD staff to work with LAFCo and City of Fresno staff to conduct a study regarding the feasibility of dissolving the PPUD.

If you should have any questions, please contact me.

Sincerely,



Jimmy Tsuruoka
General Manager
Pinedale Public Utility District

Cc: Wilma Quan-Schector, City Manager, City of Fresno

Attachment: City of Fresno Letter of February 2, 2018



WILMA QUAN-SCHECTER
City Manager

February 2, 2018

David E. Fey
Executive Officer
Fresno LAFCo
2607 Fresno Street, Ste. B
Fresno, CA 93721

SUBJECT: LAFCO Request Regarding Pinedale Public Utility District

Dear Mr. Fey:

We are in receipt of your letter dated January 18, 2018 (attached), regarding LAFCo's actions related to the 2007 Municipal Services Review conducted for the Pinedale Public Utility District (PPUD). Our interpretation of LAFCo's actions, as described in the January 18th letter, is that LAFCo desires to facilitate the conduct of special studies to determine the feasibility of dissolving the PPUD, with the concurrent transfer of PPUDs assets and service obligations to the City of Fresno.

The City of Fresno believes strongly that government agencies should always be open to evaluating options for reducing service costs, and increasing service levels and service quality, when such options are available for the residents we serve. So, from that perspective, we are open to the possibility that there may be value in assessing the feasibility of dissolving PPUD for the benefit of our residents. However, our experience is that such dissolution studies have the potential to create tensions between the participating public agencies unless there is a clear understanding of the process and expectations at the outset. Accordingly, the City of Fresno will only participate in such a study with the following understandings:

1. The governing body for PPUD must adopt a resolution, or similar action, formally directing PPUD staff to work with LAFCo staff and City of Fresno staff to conduct such feasibility study. It is important to the City that, if such a study is to be conducted, then the study must be conducted with the formal approval of the PPUD governing board.

RECEIVED

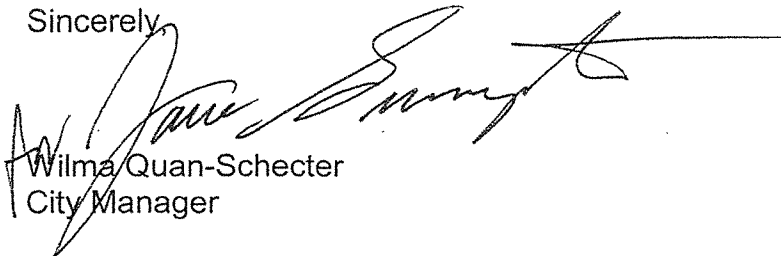
FEB 07 2018

Pinedale Public
Utility District

2. The governing board for LAFCo must adopt a resolution, or similar action, formally directing LAFCo staff to work with PPUD staff and City of Fresno staff to conduct such feasibility studies. Similarly, the City would like some assurance that the LAFCo governing board fully supports the conduct of the study.
3. LAFCo shall serve as the lead agency for the conduct of the feasibility, and shall coordinate with PPUD and the City of Fresno to develop a mutually-agreeable scope of study and completion schedule for the feasibility assessment. As an independent third-party, LAFCo is ideally suited to serve as the liaison between the City staff and PPUD staff on the conduct of the study.
4. With the exception of in-kind, staff services to support the feasibility study, all costs associated with conducting the feasibility study shall be borne by LAFCo or PPUD, or some other party. The City will not participate financially in the conduct of the feasibility study.
5. Agreeing to participate in the conduct of the feasibility study does not bind any party to act upon the findings of the feasibility study. It is understood that any further action beyond the feasibility study related to dissolution of PPUD will require more extensive due diligence investigations including, but not limited to, asset condition and liabilities; financial condition and liabilities; service obligations and liabilities; legal obligations; service area boundary conditions; and similar.

With these understandings, the City of Fresno is agreeable to participate in a non-binding feasibility study to dissolve PPUD for the benefit of our residents. If you have any additional questions, or require additional information, please do not hesitate to contact me at your earliest convenience.

Sincerely,



Wilma Quan-Schechter
City Manager

cc: Jim Tsuruoka, General Manager, Pinedale Public Utility District

Attachment: LAFCo Letter of January 18, 2018

**APPENDIX B – RESPONSE TO LAFCo’s DRAFT
MSR/SOI REPORT - AUGUST 15, 2018**



WILMA QUAN-SCHECTER
City Manager

Received
NOV 30 2018
FRESNO LAFCo

November 16, 2018

David E. Fey
Executive Officer
Fresno LAFCo
2607 Fresno Street, Ste. B
Fresno, CA 93721

SUBJECT: Pinedale Public Utility District – 2018 Municipal Service Review

Dear Mr. Fey,

We would like to thank you for the opportunity to review the Municipal Service Review (MSR) for Pinedale Public Utility District (PPUD) dated August 15, 2018. In review, we find that the 2018 MSR recommends the LAFCo Commission:

- Revise the PPUD Sphere of Influence (SOI) to include all territories where they currently provide service.
- Direct PPUD to plan for the annexation of all territory within its SOI.

While the City of Fresno (City) understands that the expansion of PPUD's SOI and annexation of new territory is recommended to clarify and recognize actual service areas of PPUD, these actions will not resolve ongoing operational and administrative overlap between the City and PPUD.

Based upon the findings presented in the 2018 MSR, the City encourages the commission to recommend merger with the City of Fresno and direct LAFCo staff to initiate proceedings commencing with a feasibility study for dissolving PPUD. Doing so is consistent with the 2007 MSR recommendations as well as LAFCo Policy 102-03 which notes that, within a SOI of a City, the City should be the provider of urban

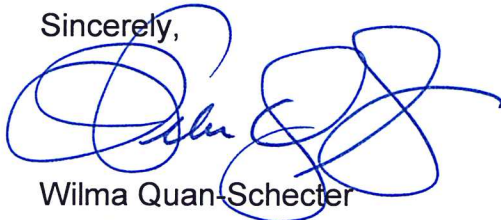
David E. Fey
Pinedale Public Utility District
2018 Municipal Service Review
November 16, 2018
Page 2

services due to its higher visibility, its substantially broader sources of revenue, and its capacity to provide services. Merger with PPUD will establish a more orderly, logical, and efficient point of service for both City and County residents.

The City encourages the Commission to adopt a resolution, or similar action, formally directing LAFCo staff to work with PPUD staff and City staff to conduct feasibility studies related to merger and dissolution of PPUD. LAFCo should serve as the lead agency for the conduct of the feasibility study and shall coordinate with PPUD and City in the development of the scope of work and for the completion of the study.

Should you have any questions regarding this letter or need additional information, please do not hesitate to contact me at your earliest convenience.

Sincerely,



Wilma Quan-Schechter
City Manager

cc: Jim Tsuruoka, General Manager, Pinedale Public Utility District
Michael Carbajal, Director, Department of Public Utilities

PINEDALE PUBLIC UTILITY DISTRICT

December 19, 2018

Received

DEC 27 2018

Fresno LAFCo

Mr. David Fey
Executive Officer
Fresno LAFCo
2607 Fresno Street, Ste. B
Fresno, California 93721

Dear Mr. Fey:

You asked the Pinedale Public Utility District board, at its monthly meeting last night, to provide a written response to the August 15, 2018 draft Municipal Service Review (MSR) prepared by the Fresno Local Agency Formation Commission (LAFCo).

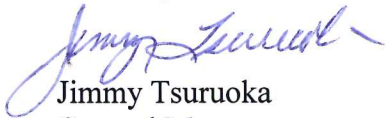
Specifically, the MSR noted that the District is providing sewer service to territories outside of the District's boundaries and/or its Sphere of Influence (SOI). The MSR concluded that the District is providing sewer service in a competent manner and that the District is financially sound and appropriately monitors its finances. Your principal concern, however, was that those customers, who reside outside the District's boundaries or SOI, are being "disenfranchised" since they are not allowed to participate in the operation of the District and are not eligible to serve on its Board of Directors.

Hence, you recommended:

1. The District ask LAFCo to update the District's SOI boundaries to include all territories being served by the District.
2. The District then petition LAFCo to annex to the District all of those territories located within its revised SOI that are not currently included within the District.

The PPUD Board agreed to accept your recommendations. Please proceed accordingly. If you should have any questions, please contact me.

Sincerely,



Jimmy Tsuruoka
General Manager
Pinedale Public Utility District