

**DRAFT**  
**Municipal Service Review**  
**and**  
**Sphere of Influence**  
**Update for Scotia Annexation**



**Plan for Services**  
**August 2010**

Prepared for:



**HUMBOLDT**  
*Local Agency Formation Commission*

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## INTRODUCTION

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This Municipal Service Review (MSR) was prepared as part of a mandated review of the Spheres of Influence (SOI) of all government entities in the County by the Humboldt Local Agency Formation Commission (LAFCo). This report focuses on the City of Rio Dell. The purpose of this study is to examine and evaluate local governmental services in order to improve overall understanding of local service conditions and to enhance these conditions through comprehensive review and analysis. This MSR presents for the Commission's consideration a discussion, analysis, and recommendations regarding services provided by the City of Rio Dell. The current SOI for the City of Rio Dell was updated in 2008 for the Sawmill and Blue Slide Road Annexations. This MSR serves to update the relevant data on services provided within the City's SOI. The City's SOI is being amended to include the Town of Scotia in anticipation of annexation.

### Review Methods

This MSR was prepared for Humboldt LAFCo consideration. The City completed an agency profile questionnaire, which provided LAFCo with the current status of City operations. The draft report was sent to the City for review and clarification. All information gathered for this report is filed by Humboldt LAFCo for future reference.

### Statutory Authority

The fundamental role of the LAFCo is to implement the Cortese-Knox-Hertzberg Act (Act) consistent with local conditions and circumstances. The Act guides LAFCo's decisions. The major goals of LAFCo as established by the Act are to:

- Encourage orderly growth and development;
- Promote orderly development;
- Discourage urban sprawl;
- Preserve open-space and prime agricultural lands by guiding minimizing resource loss;
- Exercise its authority to ensure that affected populations receive efficient services;
- Promote logical formation and boundary modifications that direct the burdens and benefits of additional growth to those local agencies that are best suited to provide services;
- Make studies and obtain and furnish information which will contribute to the logical and reasonable development of local agencies to provide for present and future needs;
- Establish priorities by assessing and balancing community service needs with financial resources available to secure and provide community services and to encourage government structures that reflect local circumstances, conditions and financial resources; and
- Determine whether new or existing agencies can feasibly provide needed services in a more efficient or accountable manner and, where deemed necessary.

As set forth in §56425(g) of the Act, on or before January 1, 2008, and every five years thereafter, Humboldt LAFCo shall review and update each SOI. An MSR shall be conducted prior to, as a part of, or in conjunction with, the action to adopt, amend, or revise an SOI pursuant to the Act. Together, the SOI and MSR documents analyze the District or City's ability to serve existing and future residents.

In accordance with §56430 of the Act, in preparation for adopting, amending, or revising an SOI, Humboldt LAFCo shall comprehensively review all services and public service providers within the designated geographic area. The Commission shall prepare a written statement of determinations on six subject areas as pursuant to state law; these determinations may be utilized in future decision-making about the provision of services, appropriate boundaries, changes of organizations, and need to revise or update SOIs. LAFCo is required to make written determinations on the following:

1. Growth and population projections for the affected area;
2. Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies;
3. Financing ability of agencies to provide services;
4. Status of and, opportunities for, shared facilities;
5. Accountability for community service needs, including governmental structure and operational efficiencies; and
6. Any other matter related to effective or efficient service delivery, as required by commission policy.

## **MSR UPDATE AND SOI EXPANSION FOR ANNEXATION**

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This MSR is being updated in 2010 to include the annexation of the Town of Scotia (TOS) to the City of Rio Dell as set forth herein.

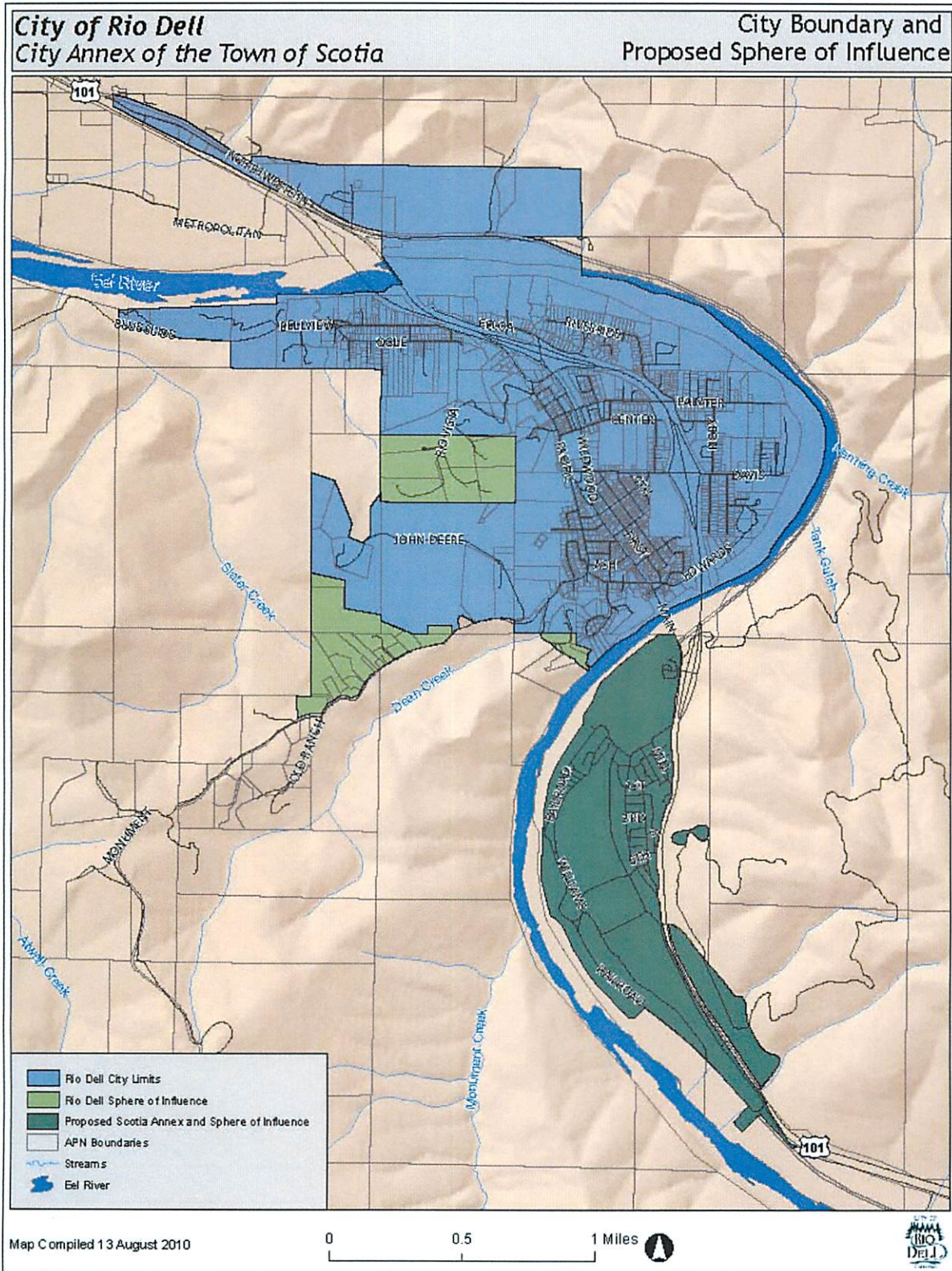
### **Town of Scotia Annexation**

Approximately 420 acres of land comprises the annexation area of Town of Scotia (Assessor Parcel Numbers, 205-351-19, 351-351-20 and 205-351-021). Hence, the impetus to establish a governing structure so that the town can be subdivided into 335 for sale lots. The existing City boundary and Sphere of Influence, and proposed SOI and Annexation of Town of Scotia is shown in Figure 1

From the 1880s to 2008, Scotia has operated as a company town, and it was one of the last company-owned and company-operated towns in the nation. The entire town of Scotia, including the buildings, houses, accessory structures, roadways, and community infrastructure, was developed and constructed by PALCO and is now managed in the interim by the Town of Scotia LLC. The residences were constructed and maintained by PALCO for their employees. Under PALCO management, the town of Scotia retained a consistency in layout, streetscapes, and historic design, and presents a well-maintained appearance. However, with the bankruptcy of PALCO and the demise of the company town, the control of the maintenance on some structures has begun to slip and the appearance of Scotia is already starting to change.

Simply for clarification, the Town of Scotia, LLC, is a subsidiary of Marathon Asset Management LP (a Delaware Corporation) headquartered in New York City. They are a global company that specializes in acquiring distressed properties and undervalued assets. Marathon was a secured creditor to PALCO and as the result of the bankruptcy emerged from the proceedings with ownership of all of the land and improvements in Scotia. Their purpose is to opportunistically acquire assets, invest no more in the property than is required and then dispose of the asset at the right time, maximizing their profit.

Figure 1



As of January 2009, the Town of Scotia LLC housing office estimated 272 residential dwelling units in Scotia and an estimated residential population of approximately 800 persons. The Town of Scotia LLC employs 67 people, including Scotia Inn staff; with an estimated 88 additional employees working for other businesses in Scotia. Based on the U.S. Census, and using census blocks that are approximately coterminous with the town, the year 2000 population was 849 (Tract 06023- 011100 and blocks 4 - 7, 10 - 25, 27 - 33, and 38) (Scotia MSR May 2009). It is anticipated that the characteristics of the population in Scotia will change somewhat now that Company ownership is gone. Given the geographic proximity, house size, age and condition, the City believes that the demographics of future home buyers in Scotia will be quite similar to current homeowner demographics in Rio Dell.

There is limited developable area within the annexation area. The residential parcels in the County approved subdivision map have been designated for low density residential use. The City proposes to apply Urban Residential general plan and zoning designations to those same areas. These designations allow density of up to 7 dwelling units per acre and 4,000 square foot minimum lot sizes. Because certain lots, yard areas, and maximum ground coverage may not meet City requirements, a Planned Development (PD) combining zone will be applied to make smaller lots conforming. The PD combining zone allows these smaller lots to be created because the town was developed prior to the zoning code being adopted. In essence, with the PD overlay, existing non-conforming standards become the standards for each individual lot. This will be a benefit for future home buyers seeking financing, as lending institutions often require that agency with land use jurisdiction to confirm zoning conformity as a loan condition.

The industrial areas of the town zoned Industrial (I) are expected to have continued use by Humboldt Redwood Company (HRC) for producing lumber at the Scotia mill. Essentially, areas used for outdoor lumber storage and the sedimentation pond will continue to be used as part of the lumber mill operations, if not associated with the sale of the cogeneration plant, are not considered vacant, and so will not be available for development. The now mostly vacant Mill "A" Complex and dry kiln and sorter building contain roughly 1.2 million square feet of useable space for commercial or industrial use. No plans exist to change from lumber production in Mill "B" Complex to some other industrial use in the foreseeable future. The subdivision and annexation will not result in changes to this existing condition. The sale of 335 lots to new owners, with many not working in the community, could make it more difficult to maintain the homogeneity of the historic community.

**Subdivision Findings:** State Subdivision Map Act §66474 specifies the findings that must be made to approve parcel subdivision maps. The City may approve a map if they have submitted evidence that supports making all of the following findings:

1. That the proposed subdivision, together with the provisions for its design and improvements, is consistent with the City's General Plan.
2. That the tentative subdivision map conforms to the requirements and standards of the City's subdivision regulations.
3. That the proposed subdivision conforms to all requirements of the City's zoning regulations.
4. The proposed subdivision is not likely to cause substantial environmental damage.
5. The proposed subdivision does not reduce the residential density for any parcel below that utilized by the Department of Housing and Community Development in determining compliance with

housing element law (the mid point of the density range specified in the plan designation), unless the following written findings are made and supported by substantial evidence: 1) the reduction is consistent with the adopted general plan including the housing element; and 2) the remaining sites identified in the housing element are adequate to accommodate the City share of the regional housing need; and 3) the property contains insurmountable physical or environmental limitations and clustering of residential units on the developable portions of the site has been maximized.

The City is prepared to review the subdivision map, conduct the City review in a cost effective and time efficient manner and work with the Town of Scotia LLC to make findings necessary for City approval. This would allow the Town to be subdivided into parcels with city designated land use and supported by City services.

## AGENCY PROFILE

### Formation

The City of Rio Dell was incorporated in 1965 and is located in Humboldt County, California, along Highway 101 within the Eel River Valley. Rio Dell is approximately 7 miles southeast from the City of Fortuna and 25 miles south of the county seat, Eureka. The City of San Francisco is approximately 250 miles to the south, and the Oregon/California border is approximately 125 miles to the north.

**Table 1. Agency Profile**

<b>Agency Name</b>	<b>Date of Incorporation</b>	<b>Enabling Legislation</b>
City of Rio Dell	February 26, 1965	California Government Code §34100-34101
<b>Contact Person</b>	<b>Contact Title</b>	<b>Email/Website</b>
Ron Henrickson	City Manager	<b>Email:</b> <a href="mailto:CM@riodellcity.com">CM@riodellcity.com</a> <b>Website:</b> <a href="http://www.riodellcity.com">www.riodellcity.com</a>
<b>Mailing Address</b>	<b>Physical Address</b>	<b>Phone/Fax</b>
City of Rio Dell 675 Wildwood Avenue Rio Dell, CA 95562	City of Rio Dell 675 Wildwood Avenue Rio Dell, CA 95562	<b>Phone:</b> (707) 764-3532 <b>Fax:</b> (707) 764-5480

The City is bordered by the Eel River to the north, east and south, and by Dean Creek to the west. The Rio Dell SOI encompasses 160 acres beyond the city limits and with the exception of the following three areas, is coterminous with the present city boundary: (1) the Monument Road area at the southwest edge of the City (81 acres); (2) the Dean Creek area at the south edge of the City (7 acres), and (3) the Peninsula area at the west edge of the City (72 acres).

## GROWTH AND POPULATION

### County Population and Growth

Rio Dell is one of seven (7) Cities in Humboldt County, which has a Department of Finance's (DOF) estimated 2008 population of 132,821<sup>i</sup>. With an estimated annual population growth rate of 0.6%, the County's estimated 2025 population will be 145,858.

### City Population and Housing Projections

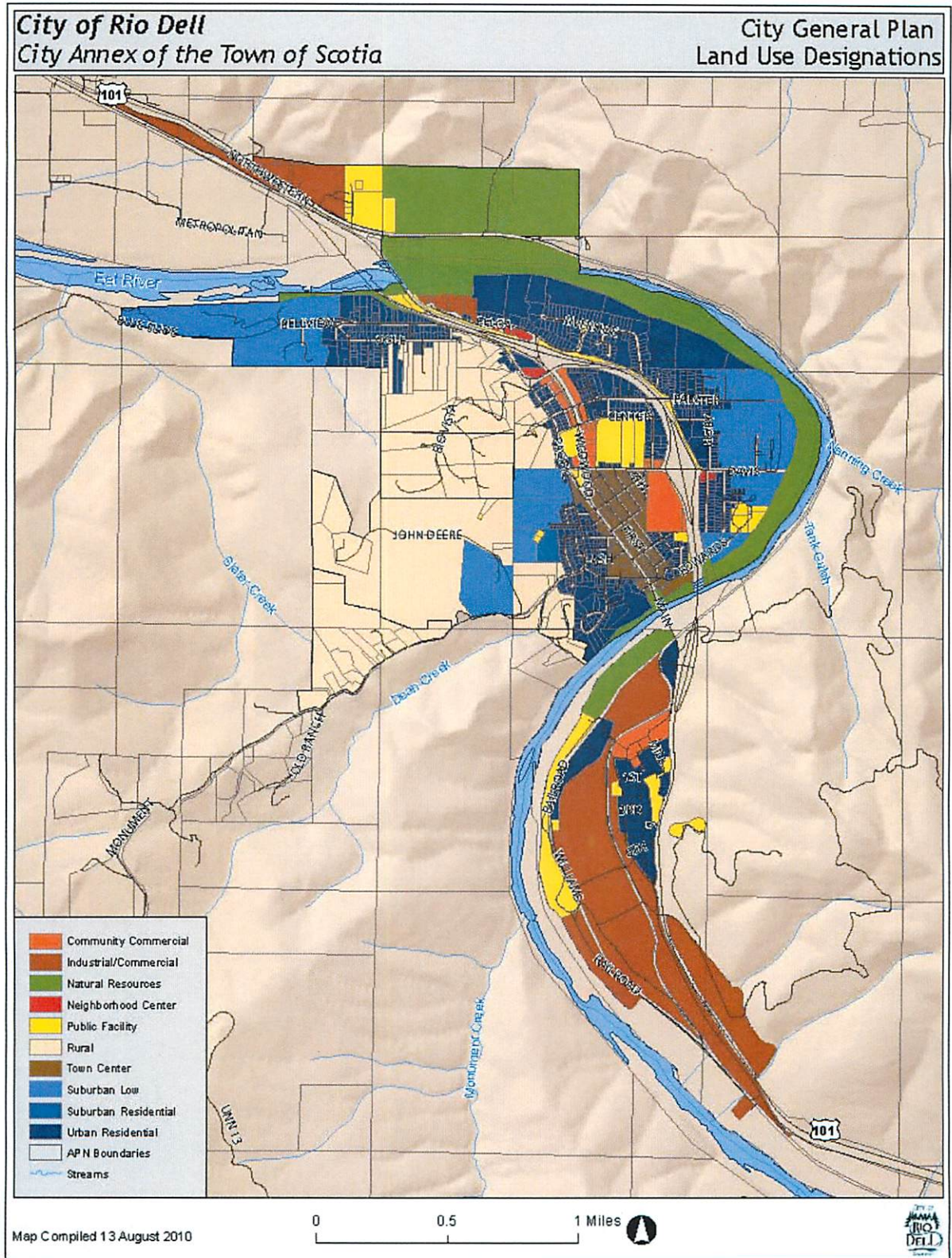
Rio Dell has an estimated population of 3,279 (State of California, 2009). The City provides services throughout its jurisdiction and serves approximately 1,065 single family residences, or 1,310 equivalent dwelling units (EDUs). The projected number of EDUs for 2030 is 1,629. The population density in 2009 was 1,684/mi and the average density of housing units was approximately 760/mi<sup>ii</sup>. The additional acreage for residential and other uses, as a result of annexation, are quantified in Table 2 and shown spatially in Figure 2 below.

**Table 2 Existing City and Proposed Annexation Acreage by General Plan Designation**

City General Plan Designations	Existing City (Acres)	%	Proposed Scotia (Acres)	%
<b>Residential</b>				
Rural	343.1	19.7%	0.0	0.0%
Suburban Low	240.81	13.8%	0.0	0.0%
Suburban Residential	6.75	0.4%	0.0	0.0%
Urban Residential	332.78	19.1%	58.7	15.20%
<b>Commercial/Mixed Use/ Industrial</b>				
Community Commercial	32.59	1.9%	14.3	3.7%
Industrial/Commercial	51.9	3.0%	0.0	0.0%
Town Center	47.72	2.7%	0.0	0.0%
Neighborhood Center	5.53	0.3%	0.0	0.0%
Industrial	0.0	0.0%	253.3	65.6%
<b>Natural Resources/Public Facility/Other</b>				
Natural Resources	286.41	16.5%	21.4	5.5%
Public Facility	83.15	4.8%	38.6	10%
Right of Way	149.7	8.6%	0.0	0.0%
Sphere of Influence	159.6	9.2%	0.0	0.0%
<b>Total</b>	<b>1740.0</b>	<b>100.0%</b>	<b>386.3</b>	<b>100.0%</b>



Figure 2. City of Rio Dell Existing and Proposed General Plan Land Uses



## BUDGET

On Tuesday, June 29, 2010, the City Council approved the following balanced budget for the fiscal year July 1, 2010 to June 30, 2011. The budget totals \$5,609,006, including \$2,295,599 for operations and maintenance, and a total of \$3,313,407 when including capital and special projects. Major fund Components include total General Fund Revenue 14%, Streets 14%, Sewer 38%, Water 12%, and Special Revenue Funds 21% of total Revenue. Tables 3 & 4 contain City of Rio Dell Operations and Capital Budget FY 2010-2011 figures.

**Table 3 Expenditures**

Services	O&M Expenditures	Capital & Special Project Expenditures
City Administration	579,179.00	65,213.00
Public Safety	673,298.00	0.00
Recycling	16,856.00	0.00
Water	321,842.00	96,600.00
Sewer	463,158.00	1,423,895.00
Streets	143,601.00	693,880.00
Parks and Recreation	2,574.00	214,372.00
Planning	42,194.00	22,106.00
Building	52,897.00	0.00
Community Development	000.00	797,341.00
<b>Total</b>	<b>\$ 2,295,599.00</b>	<b>\$ 3,313,407.00</b>

**Table 4 Revenue by Fund Type**

Services	O&M Revenues	Capital & Special Project Revenues
General Fund	711,695.00	26,628.00
Streets	163,000.00	578,880.00
Sewer	641,292.00	1,389,474.00
Water	539,630.00	103,000.00
Special Revenue Funds	143,287.00	985,754.00
Transfer From Reserves	96,695.00	229,671.00
<b>Total</b>	<b>\$ 2,295,599.00</b>	<b>\$ 3,313,407.00</b>

**The City's General Fund has no outstanding debt and has a reserve of 62% of the fund requirements.**

## Wastewater Rate Structure

City wastewater rates are set by the City Council, most recently by Resolution No.1059-2009. Fees and charges per Equivalent Sewer Service Unit (ESU) are:

- |    |                                |                 |
|----|--------------------------------|-----------------|
| 1. | Single Residential Customers   | \$60.13 Per ESU |
| 2. | Multiple Residential Customers | \$60.13 Per ESU |
| 3. | Commercial Customers           | \$60.13 Per ESU |
| 4. | Institutional Customers        | \$60.13 Per ESU |

There are currently 1,310 wastewater ESU's in the City.

## Water Rate Structure

As illustrated in Table 5 below, the City employs a base rate structure and an increasing rate structure as set forth in Resolution No. 998-2008. The monthly cost increases as a result of the total water volume used<sup>iii</sup>.

**Table 5. City of Rio Dell Water Rates**

City's Customer Type		Base Charge	Usage Charge (\$/CCF) 1		
			0-1	1-10	10 +
<i>Inside</i>	Residential	\$24.02	\$0.00	\$2.18	\$3.27
<i>City Limits</i>	Commercial & Institutional	\$24.02	\$0.00	\$2.18	\$2.18
	R.V. & Mobile Home Parks	\$24.02	\$0.00	\$2.18	\$3.27
<i>Outside</i>	Residential	\$36.05	\$0.00	\$3.27	\$4.90
1. CCF – hundred cubic feet.					

There are currently 1,210 water connections.

## SERVICES PROVIDED

The City of Rio Dell provides the following services:

- **Governance and City Management**
- **Parks and Recreation;**
- **Planning and Zoning;\***
- **Library;\***
- **Plan Check and Building Inspection Services;\***
- **Municipal Law Enforcement;\***

- **Municipal level Animal Control;\***
- **Storm Water Collection and Drainage;**
- **Street Improvements, Maintenance\* and Lighting;**
- **Wastewater Collection and Disposal; and**
- **Water Treatment and Delivery.**

\*Services not proposed to be provided by the Scotia CSD

## **Governance and City Management**

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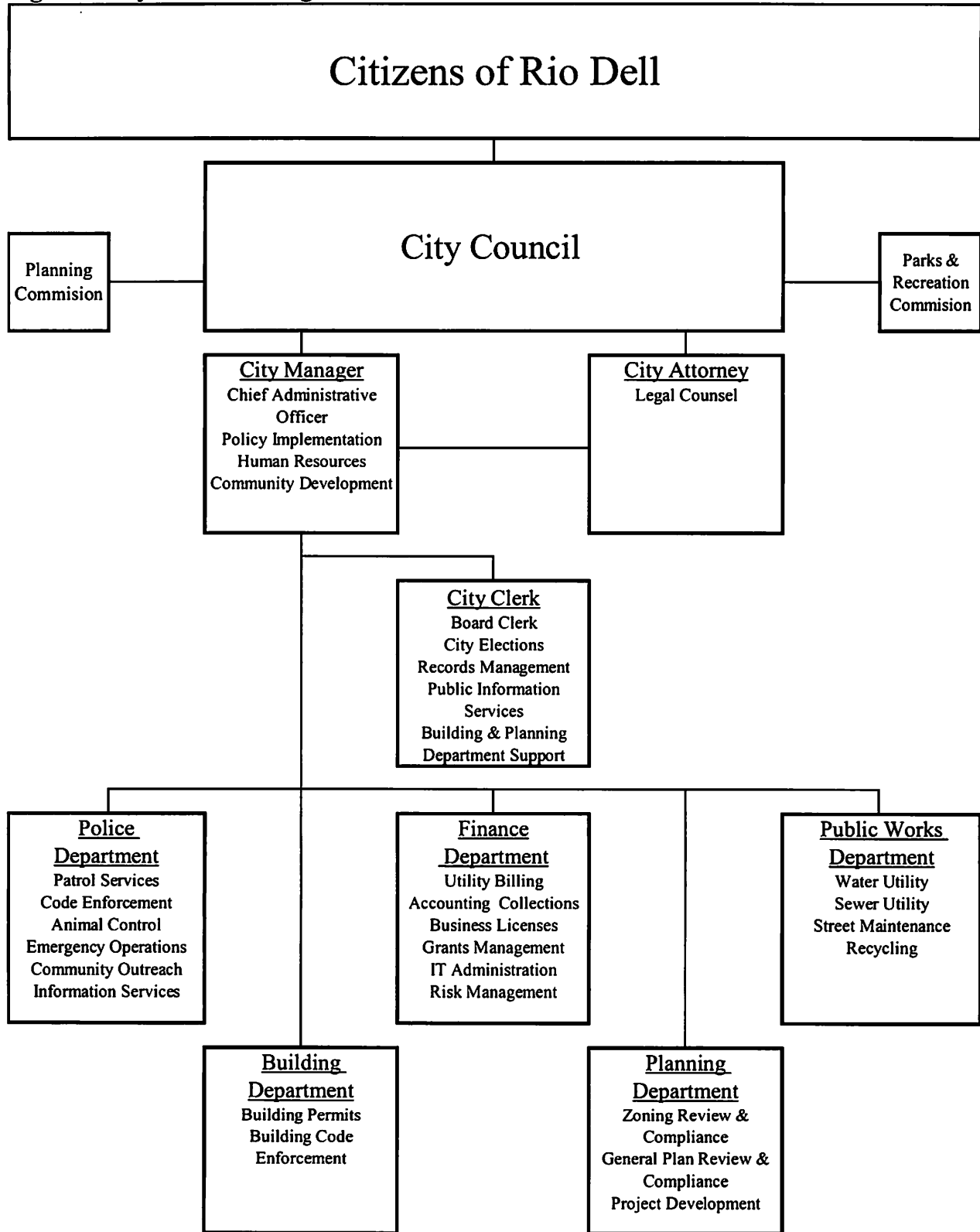
The City is governed by five (5) City Council Members elected by City residents every four years. The council members elect one of their own members to serve as mayor. Table 6 shows the existing Council membership. The Rio Dell City Hall and administrative offices are located at 675 Wildwood Drive, Rio Dell, CA 95562.

**Table 6: Rio Dell City Council**

<b>Council Member</b>	<b>Ward</b>	<b>Term Expiration</b>
Julie Woodall	Mayor	2010
Melissa Marks	Mayor Pro Tem	2010
Mike Dunker	Council Member	2010
Marc Barsanti	Council Member	2012
Jack Thompson	Council Member	2012

The Rio Dell City Council holds regular meetings on the 1st and 3rd Tuesdays of each month at 6:30 P.M. The meetings are held at the City Hall located at 675 Wildwood Avenue. The City of Rio Dell employs a City Manager who is responsible for implementing and administering the policies set by the City Council. During the 2010-2011 Fiscal Year, the City employs a total of 22 full-time employees as well as part-time and seasonal employees. Figure 3 illustrates the City's current governmental organization.

**Figure 3. City of Rio Dell Organizational Chart for 2010-2011**



## **Parks and Recreation**

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### **City of Rio Dell**

There are 19.5 acres of recreation facilities on public property in Rio Dell. Parks and recreation facilities within the city limits include the large playing fields and playgrounds (16.1 acres) located at Rio Dell Elementary, as well as tennis courts also located on the school grounds, but maintained by the City. A playground and ball park (3.4 acres) is located adjacent to the Rio Dell Volunteer Fire Department (RDVFD) fire hall and is maintained by both the RDVFD and the City. The National Recreation and Parks Association (NRPA) recommends a minimum standard of 2.5 acres of parklands per 1,000 residents. Rio Dell currently has only shared parks and recreation facilities and would need to acquire and develop approximately 4.1 more acres of parks to meet the NRPA standards.

### **Town of Scotia**

Scotia's recreation facilities include a community park, one baseball field and one soccer field. Fireman's Park, also known as Scotia Park, is the town's community park and is a fenced park with redwood trees, picnic tables, and barbeque pits. The park's proximity to the Eel River and the ball field makes it convenient to a large number of users, primarily Scotia residents and visitors. The baseball field, known as Carpenter's Field, is a fenced baseball field with bleachers, located opposite Fireman's Park. A grass/fenced soccer field (known as Slaughterhouse Field) is located north of Fireman's Park. Together, the baseball field, Fireman's Park, and soccer field form the core outdoor recreation area for Scotia residents.

The Recreation Center complex adjunct to the Stanwood A. Murphy Elementary School, located at the east end of Mill Street, is now owned and operated by the Scotia Union School District. The former Industrial Rehabilitation Center is located in a portable building south of the pool and is also part of the facilities acquired by the Scotia Union School District.

### **Annexation Proposal for Parks and Recreation**

Designated parks and recreation facilities on somewhere between 12 to 19 acres will be transferred to the City of Rio Dell for administration and maintenance, including the Fireman's Park, Carpenter's Baseball Field and the adjoining soccer field. The historic Winema Theater has long been the venue for movies, plays, school graduations and civic gatherings. It is the hope of the City that this building can be maintained for the public in public ownership.

Scotia landscaped areas include "pocket parks" adjacent to the Scotia Museum near the corner of Main Street and B Street and by the HRC timber sales office on Main Street. These areas are to remain in private ownership and are not included in the transfer to the City. Landscaping and landscape maintenance in Scotia is provided in the interim by Town of Scotia LLC. Landscaping and maintenance areas include roadside areas such as Main Street, the downtown commercial area, streetscapes, building setback areas, residential areas, and some industrial areas. The maintenance responsibility for such parks and adjacent areas will go with the ownership of the property.

The Town of Scotia LLC currently manages and administers Scotia's park and recreation facilities, including structure maintenance, trash pickup, lawn mowing, park gardens maintenance, landscaping, fencing, watering, and scheduling the recreation facilities. The City will assume this responsibility with annexation.

The Town of Scotia LLC- CSD Financial Assessment plan on file with LAFCo includes the monthly user fee of \$4.21 for parks and recreation. The City annexation proposal contains no such monthly charge. Parks and recreational services through the City will be funded by revenues exchanged with the County and with other revenue sources available to the City, but not the CSD. Existing and proposed parks, recreation and public use areas are shown on Figure 4.

## **Law Enforcement & Emergency Services**

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### **City of Rio Dell**

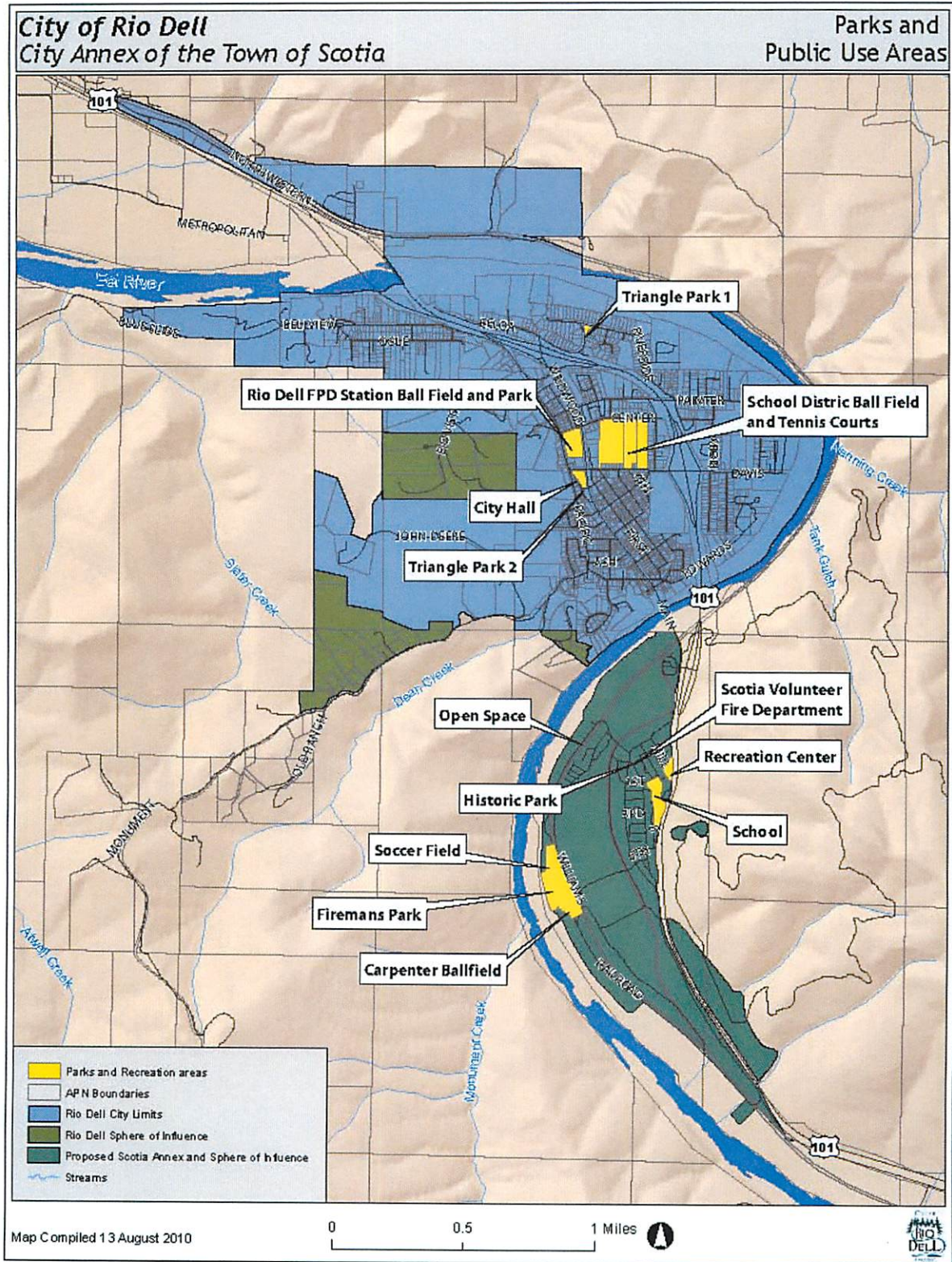
The Rio Dell City Police Department provides law enforcement services to the community 24/7. The Department, headquartered at City Hall, 675 Wildwood Avenue, provides law enforcement, investigation and community service. The average response time for an emergency call for service is less than two minutes. The Rio Dell Police Department is comprised of the following staff: (1) Chief, (1) Sergeant, (1) Corporal, (5) Patrol Officers, (1) Reserve Officer and (1) Records Supervisor. In addition, the Department has a four year grant to provide (1) "Problem Oriented" Police Officer position to administer community programs and deal with specific, and recurring community problems.

The Police Department has seven fully equipped marked police vehicles, and two specialized vehicles to accomplish the Department's mission. One of the vehicles is an off road utility vehicle obtained through a Home Land Security Grant. The Department is dispatched by the Fortuna Police Department Emergency Communications Center and handled approximately 4,600 calls for service during the last twelve month period.

The City has mutual aid agreements with the City of Fortuna, the City of Ferndale, and the Humboldt County Sheriff's Department, primarily in the Scotia area. The California Highway Patrol assists Rio Dell Police with technical traffic assistance and officer back up.

The City of Rio Dell prepared an Emergency Operations Plan (EOP) in April 2001 that identifies the City's emergency planning, organization, and response policies and procedures. The EOP establishes procedures for a variety of hazards and threats including natural and man-made (technological) hazards. Natural threats include earthquake, landslide, winter storms, and fires. Man-made hazards include hazardous materials, major vehicle accidents, airplane crash, civil disturbance, and terrorism.

Figure 4 Parks and Public Use Areas





The Rio Dell EOP is based on the following systems: Standardized Emergency Management System (SEMS); Firefighting Resources of California Organized for Potential Emergencies (FIRESCOPE); and Incident Command System (ICS). The City Council adopted the plan and the Chief of Police is responsible for reviewing it on an annual basis, coordinating with other City staff and the RDVFD and recommending revisions to the Council.

### **Town of Scotia**

The Humboldt County Sheriff provides law enforcement for all of the unincorporated areas of the County, including Scotia. Scotia is included in the Eel River Valley patrol beat. In addition, PALCO formerly provided, and HRC has continued with private security services for their offices and industrial facilities (7 days a week, 24 hours a day). The focus of these services is to provide security related to the industrial and logging operations, not law enforcement. However, in the past company security in the company town took on the appearance of a municipal service and could do so effectively when the company owned and controlled employee housing, parks, hospital, recreation sites, all of the commercial space and the jobs. That leverage in the community is now gone!

### **Annexation Proposal for Law Enforcement Services**

The proposed CSD for Scotia does not include municipal police services, even though the Sheriff's Department is simply not staffed to handle the calls. It is not correct to assume that the City will assume the burden of law enforcement for Scotia by default if the CSD is formed.

Upon annexation, the City of Rio Dell will provide 24/7 police services to Scotia. After conferring with all of the law enforcement agencies in the area, it is anticipated that the call volume to the Rio Dell Police Department from Scotia residents will be approximately 1,200 calls annually.

Annexation and the transfer of property tax from the County to the City for municipal services is the funding mechanism for the increased Police Officer staff and equipment that will be required. HRC can continue to provide security for its industrial and commercial properties if they choose.

If annexation does not occur, the City would have to reevaluate its policy with regard to responding to calls for service in Scotia. A contract for law enforcement services to a Scotia CSD may not be feasible or desired by the City.

## **Stormwater Collection and Drainage**

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### **City of Rio Dell**

The City of Rio Dell's stormwater drainage system serves customers within the city limits. The City is bounded by the Eel River on three sides to the north, east and south, and its westerly side extends into partially forested hillsides. Elevations range from 50 feet above sea level at the river to approximately 160 feet at the foothills of the City on the west, with most of the urban portion of the City at approximately 120 feet. The foothills continue to rise west of the City to an elevation of approximately 600 feet. Drainage is from the west toward the Eel River to the north, east and south. Several perennial and ephemeral streams that historically meandered from small watersheds

west of the City in route to the Eel River have been re-aligned or conveyed in part through underground pipes to allow for urban development.

The City receives significant amounts of rainfall each year, averaging approximately 48 inches. The statistically predicted 100 year rainfall is just over 80 inches per year. This rainfall is conveyed through the City to the Eel River by a drainage system that contains four primary components: (1) underground drainage conduits composed of high density polyethylene, reinforced concrete pipe or corrugated metal pipe (457 total); (2) artificial open drainage ditches characterized by open lined and unlined channels (122 total); (3) drainage inlets characterized as a collection point at which surface flow is concentrated to, and conveyed into underground drainage conduits (336 total); and (4) storm drain manholes.

A Preliminary Storm Drainage Study was prepared by the City in November 2005 under the California Community Development Block Grant Program. The purpose of the study was to identify the existing deficiencies in the storm drainage system, prioritize required improvements, and provide recommendations for more focused study and designs that would lead to upgrades of the drainage facilities. Follow-on work from this study has included focused Facility Plans to target more analysis (10 improvement areas identified), condition assessment, hydraulic modeling, consideration of future development and preliminary design and estimation of the cost for drainage improvements. To date, final design plans have been completed for improvements in several of the improvement areas, and the City is actively planning and seeking funding assistance for many of the recommended improvements.

### **Town of Scotia**

Scotia storm drain systems have outfalls to the Eel River and the log pond. The log pond is being used as a storm water treatment facility as well as for treated wastewater discharge, source of cooling water from the cogeneration plant and as a source of supply for industrial fire protection. Humboldt County and State of California highway drainage facilities also tie into the existing storm drain system at various locations. TOS currently provides maintenance for the storm drain system. Culverts associated with County-maintained roads in Scotia are maintained by Humboldt County Public Works Department. TOS manages the drainage systems that are not associated with County maintained roads (Scotia CSD MSR 2009).

While in the past, the town's sewer system functioned as a combined sanitary sewer and stormwater collection system, all known storm water connections have now been separated from the sanitary sewer system. Smoke test studies have been conducted to help identify and disconnect stormwater inflow piping. Additional smoke testing is also anticipated to be performed in the future, as a part of the effort to comply with NPDES permit requirements. A detailed analysis was completed in 2007 and will be updated as a part of the annexation.

Similar to the water and wastewater collection systems, the stormwater collection system has major piping located under existing buildings. Taking into consideration the location of the main lines, along with information gathered from 2006 visual and Closed Circuit Television inspections, a preliminary estimate of repairs has been prepared. The proposed repairs are based upon:

- replacement of immediately needed portions of the existing system, and
- Installation of new and replacement drain inlets and manholes in the residential and commercial areas (HRC will repair existing drain inlets and manholes on their industrial property).

The storm water drain that leads from the log pond to the Eel River is a serious matter that is known to State regulatory agencies and must be addressed and perhaps eliminated by Scotia LLC.

### **Annexation Proposal for Stormwater Collection and Drainage**

Responsibility for drainage and flood control services west of Main Street and the roads on the east side will be transferred to the City of Rio Dell. Road maintenance, flood control and drainage on the west side of Main Street need to be brought up to standard by the developer before the City accepts them into its system. The storm water drainage system on the east side is proposed to be improved by the developer as needed, including installation of new and replacement drain inlets and manhole access points in the residential and commercial areas. These improvements may be made as the result of the infrastructure upgrades and the street overlay project.

The CSD proposal filed with LAFCo by Scotia LLC contained the amount of \$1,602,000 over a 5 year period to upgrade the drainage and flood control systems in Scotia. These proposed improvements would be a condition of annexation.

### **Floodplains and Flood Protection**

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#### **City of Rio Dell**

Storm water drainage service in the City of Rio Dell is provided by the City of Rio Dell municipal storm water drainage system. In the incorporated area, drainage is from the hillsides to the south and west and towards the Eel River to the north and east. In the Eel River Industrial Park area, drainage is from the hillsides to the north and toward the river to the south. The City's system includes five primary components: (1) underground drainage conduits composed of high density polyethylene, reinforced concrete pipe, or corrugated metal pipe (457 total); (2) artificial drainage ditches characterized by open lined and unlined channels (122 total); (3) drainage inlets characterized as collection points at which surface flow is concentrated and conveyed into underground drainage conduits (336 total); (4) storm drain manholes (3 total); and (5) outfalls to the Eel River. The system, including the discharges of storm water to the river, operates under a Phase II National Pollution Discharge Elimination System (NPDES) storm water permit and is classified as a nonpoint pollution source (Humboldt County 2002).

#### **Town of Scotia**

There are several locations in Scotia that are located within the 100-year flood hazard area (Flood Insurance Rate Map for Scotia FEMA, 1982). Areas within Flood Zone A30 (areas with a 1% annual chance of flooding and a 26% chance of flooding over a 30-year period) include the existing wastewater treatment facility (WWTF) and the associated treatment ponds and percolation pond, areas west of Railroad Avenue, the soccer field, Fireman's Park, Carpenter's Field, the chip plant,

and portions of the new sawmill and planer building (Complex "B"), and a number of homes along Railroad Avenue (Scotia CSD MSR 2009).

Numerous large floods have occurred in Scotia as a result of intense winter storms and historical upslope land disturbances. The highest recorded Eel River discharge at the Scotia gage is 752,000 cubic feet per second (Costa and Jarrett, 2008), which occurred on December 23, 1964. A berm is now located at the HRC hardwood deck area to detain future floodwaters. The berm was designed using large riprap on the face and in a keyway that was grouted with concrete into the substrate. The berm is also located in the lumber and log deck areas of the HRC mill operations.

### **Annexation Proposal for Floodplain and Flood Protection**

The most significant change and improvement that would result from annexation to the City of Rio Dell is the removal of the Scotia wastewater facility and evaporation ponds from the flood plain. Both are approximately 1 mile upstream from the City's fresh water infiltration gallery, presenting both potential environmental and public health issues. This topic will be covered later in this report.

### **Street Improvements, Maintenance and Lighting**

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#### **City of Rio Dell**

The City Public Works Department performs general roads maintenance functions for the approximately 12.5 miles of city streets and contracts-out for major maintenance activities. The main streets within Rio Dell include Wildwood and Pacific Avenues running north and south, and Davis and Painter Streets running east and west. The City's roads are maintained through State Transportation Development Act funds, gas tax funds, and other tax funds. Public Works also maintains the six (6) owned streetlights funded by the City's general fund. Otherwise, the vast majority of streetlights are the responsibility of PG&E.

#### **Town of Scotia**

Scotia has a network of arterial and collector streets that provide service to the various neighborhoods. This road system was constructed by PALCO and the California Department of Transportation. Many of the roads were accepted into the County maintained road system and are currently maintained by the Humboldt County Public Works Department. In addition to the road system, there are a number of alleys that are used as common access to garages. There are also several privately maintained roads. The County of Humboldt currently maintains approximately 73% of the roads in Scotia and 93% of the paved roads as follows:

- B Street
- Church Street
- Eddy Street
- Main Street
- Mill Street
- 1st Street
- 2nd Street
- 3 Street
- 6<sup>th</sup> Street
- 4th Street
- 5th Street

The TOS provides maintenance on the remaining streets on an as needed basis. Main Street is the only street in Scotia classified by the County of Humboldt as a "Collector." Main Street is accessed by way of Northbound U.S. Highway 101 and SH 283. All other roads in Scotia are classified as "Local Roads." Scotia does not have official bike routes, trails, or paths. Many of the streets are unnamed. The streets appear to be in poor to fair condition, and residential streets have sidewalks on one side only. There are approximately four marked crosswalks, all of which are centered on the commercial Main Street.

The repairs proposed as part of the infrastructure replacement project include:

- 0.2-foot overlay of asphalt concrete pavement throughout affected streets;
- Patching, leveling with appropriate base course thickness;
- Some curb replacement in kind;
- Repair to the retaining wall at south end of B Street; and
- Safety improvements to address basic signage and stop bars.

### **Annexation Proposal for Street Improvements, Maintenance and Lighting**

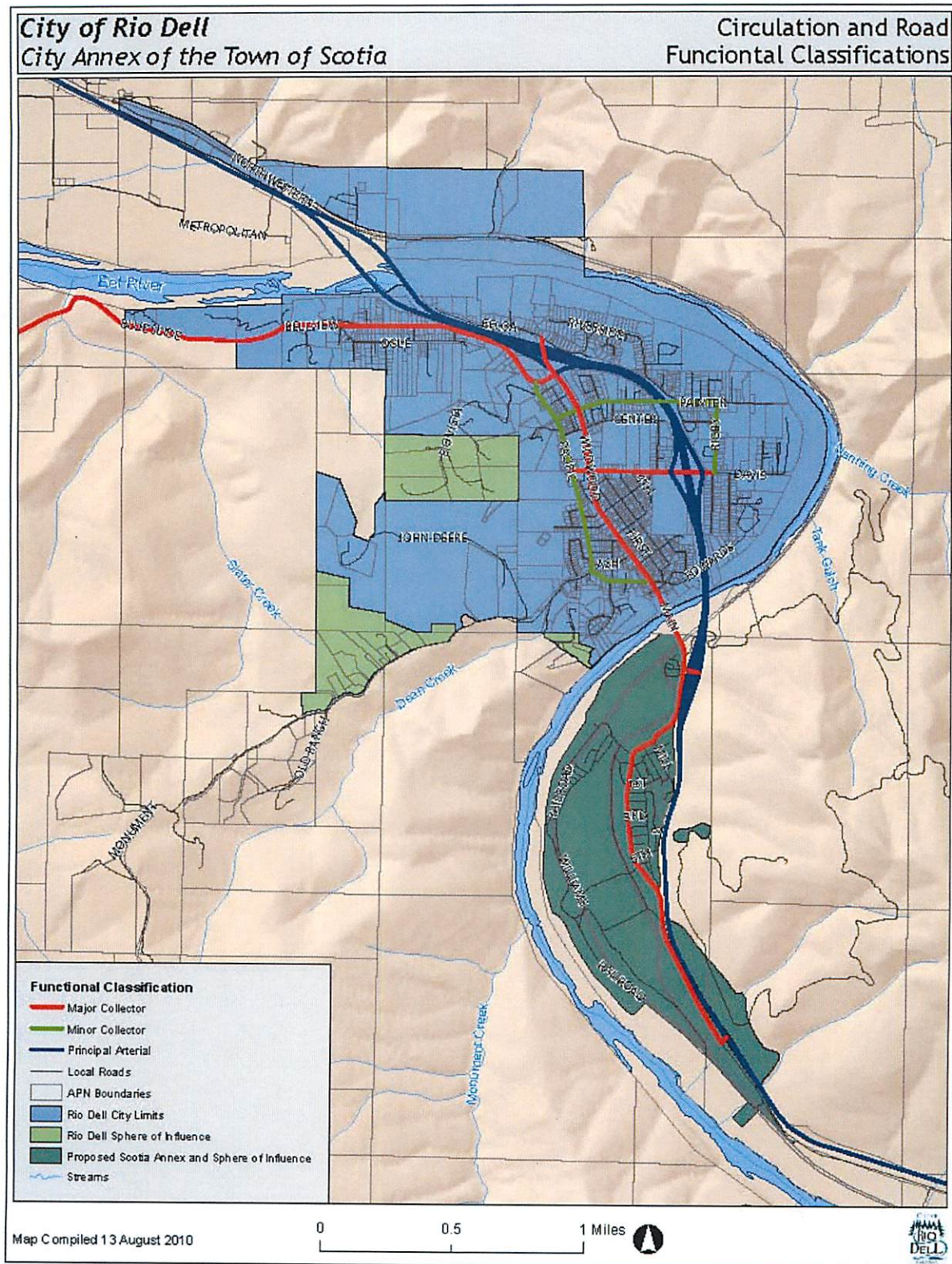
Under annexation, the City will assume the responsibility for Scotia's street improvements, maintenance and lighting.

There is a significant difference in the Scotia LLC proposed CSD proposal and the City's annexation application. The CSD proposal assumes that the County will continue to maintain all streets and culverts for Main Street and east of Main Street. And, the CSD proposes that there be a monthly assessment paid by the property owners in the estimated amount of \$14.54 for street lighting and roads, and \$13.57 for storm water drainage<sup>iv</sup>. No such assessments are proposed under annexation.

Improvements are to be made by the Town of Scotia LLC prior to dedication to the City and typically before the final map recordation. The annexation to the City of Rio Dell would occur with no monthly assessment fees for these services. This is financially possible without an assessment due to various revenue sources that the City will receive, such as gas tax and VLF revenues, that a CSD would not receive, and the transfer of the County Road Tax for the area to the City Street Fund.

The Street System to be managed by the City is shown in Figure 5 on following page.

Figure 5 Circulation



## **Wastewater Collection and Treatment**

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### **City Of Rio Dell**

Wastewater service provided by the City includes wastewater collection, treatment and disposal, administrative services, operation and maintenance of the wastewater system, wastewater system testing, billing, influent/effluent quality reporting and financial administration.

#### **Collection System, Pipelines, Pumps and Treatment Facility**

The City's existing wastewater treatment facility (WWTF) is located at the east end of Hilltop Drive adjacent to the Eel River, but out of the flood zone. The facility underwent a major upgrade in 1978, converting from activated sludge to rotating biological contactors (RBC). The facility is classified by the RWQCB as a municipal WWTF. There are approximately 1,100 active wastewater connections at any given time.

As described above under Capacity and Demand for Service, the City recently adopted a capital improvement program for its wastewater system and is currently implementing major system upgrades, including improvements to the treatment plants headworks, installation of onsite chlorine generation equipment, and installation of a new mechanical sludge dewatering system. As described below, the City is actively working to implement solutions for the total system that will solve its wastewater issues for decades to come.

#### **Capacity and Demand for Service**

The present average daily treatment capacity is 0.9 million gallons per day (MGD) with a current average daily flow of 0.5 MGD, leaving an available flow of 0.4 MGD.

#### **Planned Infrastructure Improvements**

The City of Rio Dell is presently in the engineering phase for a new wastewater improvement facility to address Cease and Desist Order No. R1-2005-0034, which requires a new effluent disposal system. The plan<sup>v</sup> will also address the aging infrastructure at the existing WWTF. The City has completed the first steps of the project, which is preparation of the necessary environmental documents, including compliance with the California Environmental Quality Act, and preparation of an Environmental Impact Report, Notice of Determination and a Final Facilities Plan<sup>v</sup>. To take advantage of Federal American Recovery and Reinvestment Act (ARRA) grant funding, the City split the project into two phases and was successful in obtaining approximately \$2.25 million.

The project includes the following components:

1. Improvements to the Headworks, including replacing the failed Comminuter (screening system) with new Solids and Grit Removal equipment;
2. Improving the current sludge management practices by adding a Mechanical Dewatering Device and building a new covered sludge storage area; and

3. Upgrading the current Chlorine Gas Disinfection System with an on-site Sodium Hypochlorite Generation System.

The project is on schedule and will be operational in the fall of 2010. The addition of a mechanical dewatering device (belt filter press) will free up land that is currently used for biosolids dewatering, enabling the City to upgrade their treatment system within the existing property boundaries. The new system will be capable of addressing the nutrient removal requirements that the Regional Water Quality Control Board (RWQCB) is placing on permits as they come up for renewal.

Concurrent with the Phase II project described above, the City is:

1. Completing the preliminary (30%) design to upgrade the treatment process to a modified sequencing batch reactor process (Aeromod) that is also capable of nutrient removal. These preliminary design documents will also include pumping and pipeline facilities to convey the treated effluent to a new summer time disposal facility in Metropolitan.
2. Completing the environmental documents for this project.
3. Completing the land acquisition in Metropolitan for Type II irrigation.
4. Working to secure funding for this project.

As described below, the City has historically discharged its effluent into percolation ponds during the summer. Due to recent lawsuits, the RWQCB has reversed its position regarding the use of percolation ponds during the summer discharge prohibition period; being addressed as permits come up for renewal. The City faced this in 2006; Scotia will be facing this issue no later than 2011 when their permit is up for renewal.

When completed, the City will be fully compliant with RWQCB regulations. Scotia residents could save approximately \$10 million and also be compliant if it annexes to the City and is included in the planning and implementing of a regional system.

The new facilities are being designed for Rio Dell only at this time, to provide treatment and disposal for an average daily flow of 0.554MGD and peak wet weather flows of 3.714MGD, which is sufficient to meet the current and projected 20 year needs of the City and the annexation of Blue Slide Rd. and Metropolitan. As a part of this annexation application, City Engineer Winzler & Kelly completed a preliminary evaluation of the improvements needed to also serve the Scotia annexation. If this annexation was to occur in a time frame such that the added treatment capacity for Scotia is included in the construction of the new facilities, it is their opinion that the probable cost to expand the treatment plant to serve Scotia would be only \$4.9 million.

### **Permit Requirements**

The City of Rio Dell's wastewater treatment and disposal system is permitted through the North Coast Regional Water Quality Control Board (RWQCB). The City is permitted under Waste Discharge Requirement Order No. R1-2006-0021 and National Pollutant Discharge Elimination System (NPDES) Permit No. CA0022748. The City's Waste Discharge Permit allows for the discharge of treated effluent to the Eel River from October 1<sup>st</sup> through May 14<sup>th</sup>, as long as the



effluent flow is no greater than 1% of the Eel River flow. These regulations apply to all waste dischargers on the Eel River.

### **Ability to Meet Regulations**

During the period when direct Eel River discharge is prohibited, the City has historically discharged to seasonal percolation ponds constructed on the Eel River flood plain. However, the City has recently taken action to begin utilizing treated wastewater for agricultural irrigation, such as with the proposed purchase and annexation of the Metropolitan Avenue site described on the next page.

### **Town Of Scotia**

The responsibility for wastewater collection, treatment, and disposal services will be transferred to the City of Rio Dell under annexation. The wastewater collection system will be improved through relocation of the residential/ commercial lines into public right-of-way, using 6-inch minimum diameter pipe; replacement of all service laterals using 4-inch minimum diameter pipe and the installation of service cleanouts; and installation of new manholes and cleanouts in residential and commercial areas. Improvements are to be made by the Town of Scotia LLC, typically prior to dedication to the City and final subdivision map recordation.

### **Collection System**

The wastewater collection system in Scotia, including portions of system pipelines, service laterals, manholes, and cleanouts, was constructed approximately 50 to 70 years ago (or more) to service a company-owned town. To that end, many collection lines, service laterals, and manholes are located under buildings, in residential yards, and are experiencing high Inflow and Infiltration (I/I) during storm events and need to be replaced.

A preliminary layout of a replacement system has been devised. Pending final design, some lines may need to be realigned from the proposed alignments shown in the TOS Detailed Engineering Analysis in order to maintain gravity flow within the wastewater collection system. The repairs to the wastewater collection system would include the following tasks:

- The residential/commercial collection system will be relocated and constructed using 6-inch minimum diameter pipe.
- All service laterals will be replaced using a 4-inch minimum diameter pipe to each building and will include a service cleanout. New manholes and cleanouts will be installed in the residential and commercial areas.
- HRC will be responsible for the repair of existing manholes on the industrial property.

The Town of Scotia LLC-CSD Financial Assessment report filed with LAFCO contains a Five Year Capital Improvement Plan<sup>vi</sup> (Table 8) indicating an expenditure of \$4,288,000 for the improvement of the collection system. The detail of the improvements is found in Table 1, Summary of Infrastructure Changes, Scotia Subdivision and CSD Formation prepared by the TOS. These proposed improvements would also be required for annexation to the City.

## **Wastewater Treatment**

The Scotia WWTF is located on Williams Street, west of the main industrial area, north of the soccer field, and within the 100-year floodplain of the Eel River. The WWTF was constructed in 1954, nearly 60 years ago, and consists of the treatment headworks, a primary clarifier, a redwood slat trickling filter, a secondary clarifier, a sludge digester, a chlorine contact basin, a series of three treatment ponds, and a final summer percolation discharge pond.

This system, including the ponds, will be phased out and removed under annexation once the Rio Dell WWTF capacity is increased and a connection between Scotia and Rio Dell, most likely attached to one of the Caltrans owned bridges, is constructed. This connection would also include construction of a new sewage pump station at the existing Scotia WWTF site. This pump station will include a stand by generator and all of the controls and electrical components will be located above the 100 year flood plain.

## **Annexation Proposal For Wastewater Collection And Disposal**

The above noted Financial Assessment report also included in Table 8 the expenditure of \$2,396,000 over 5 years for improvements to the wastewater treatment facility. However, the facility and ponds are not proposed by the TOS to be removed from the flood plain. A better alternative is to participate in the regional system being planned by the City at a cost of approximately \$4.9 million. While the annexation costs “appear” to be about \$2.5 million more than for a CSD, this is really an “apples and oranges” comparison. This is because the CSD proposal is only providing limited improvements to an old treatment plant and does not address the issues of nutrient removal, elimination of the percolation ponds and biosolids disposal that will come up in the future. With annexation, these issues are addressed now. Pure economics and customary municipal practice dictates doing this at time of annexation at the developer’s expense, not later at the resident’s expense and at a significantly higher cost.

A separate new system in Scotia at some time in the near future would cost the residents not the developer, an additional \$10,000,000 in today’s dollars. There is no logical benefit in duplicating this expensive facility when one (1) facility would handle the requirement of both communities. While the initial costs are one thing, the more significant expense over time concerns the operational and maintenance costs, including licensed staff costs, the cost for maintenance, utilities, monitoring and testing. There is no economic or political reason to duplicate this cost on 800 residents if it can be avoided, and it can.

The abandonment of the old WWTF plant and ponds from Scotia and partnering with Rio Dell in a regional solution to our common wastewater treatment and disposal challenges remain a condition of annexation. This is apparently the main reason that Scotia LLC terminated talks about annexation in 2007 and ultimately chose to pursue the CSD option. The CSD option proposed by the developer effectively shifts the entire cost from the developer to the residents, sooner or later.

The potential connection of the two wastewater systems and new force main is shown on Figures 6 and 7 on following pages. The connection is both logical and cost effective.

Figure 6 Utilities and Infrastructure Part 1

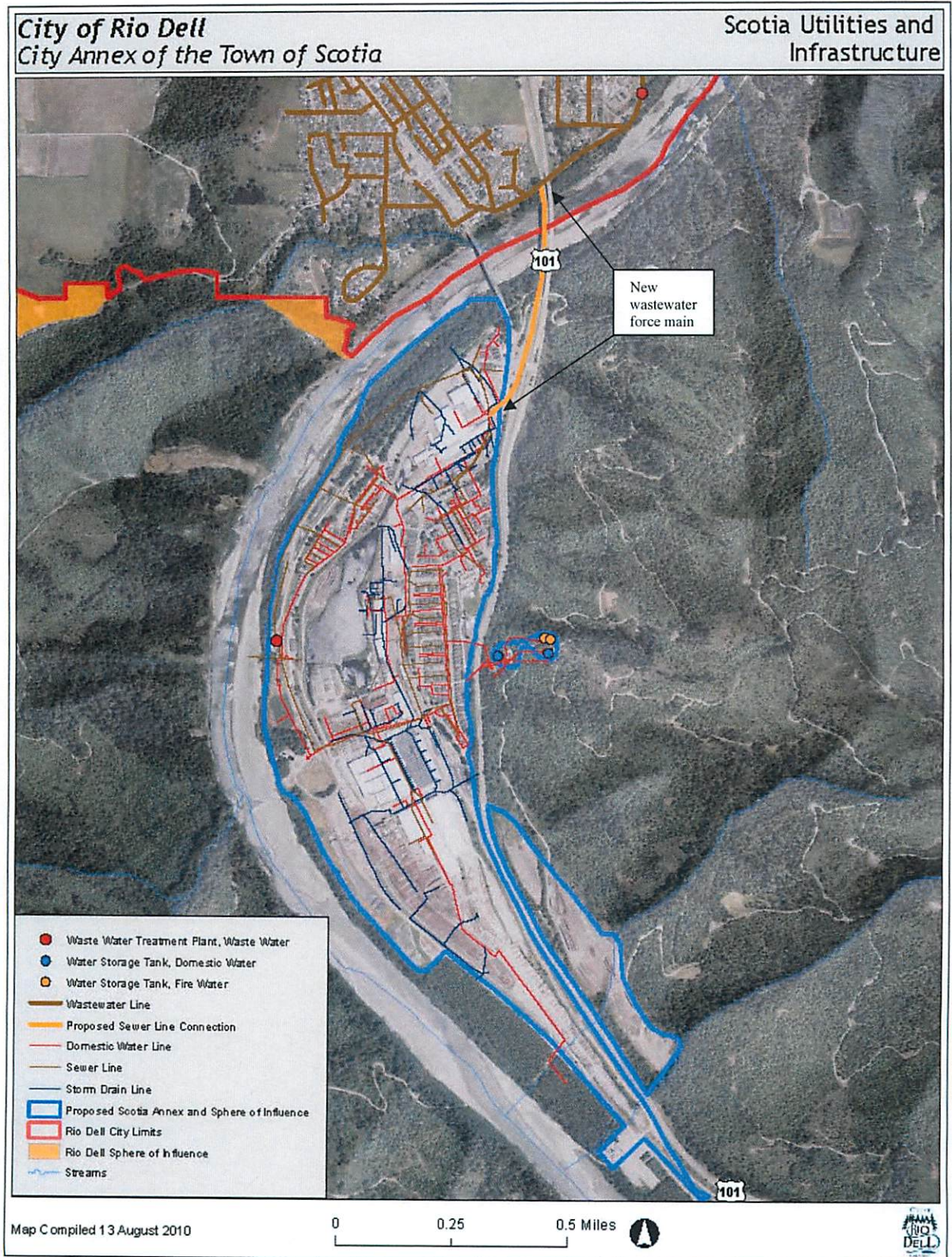
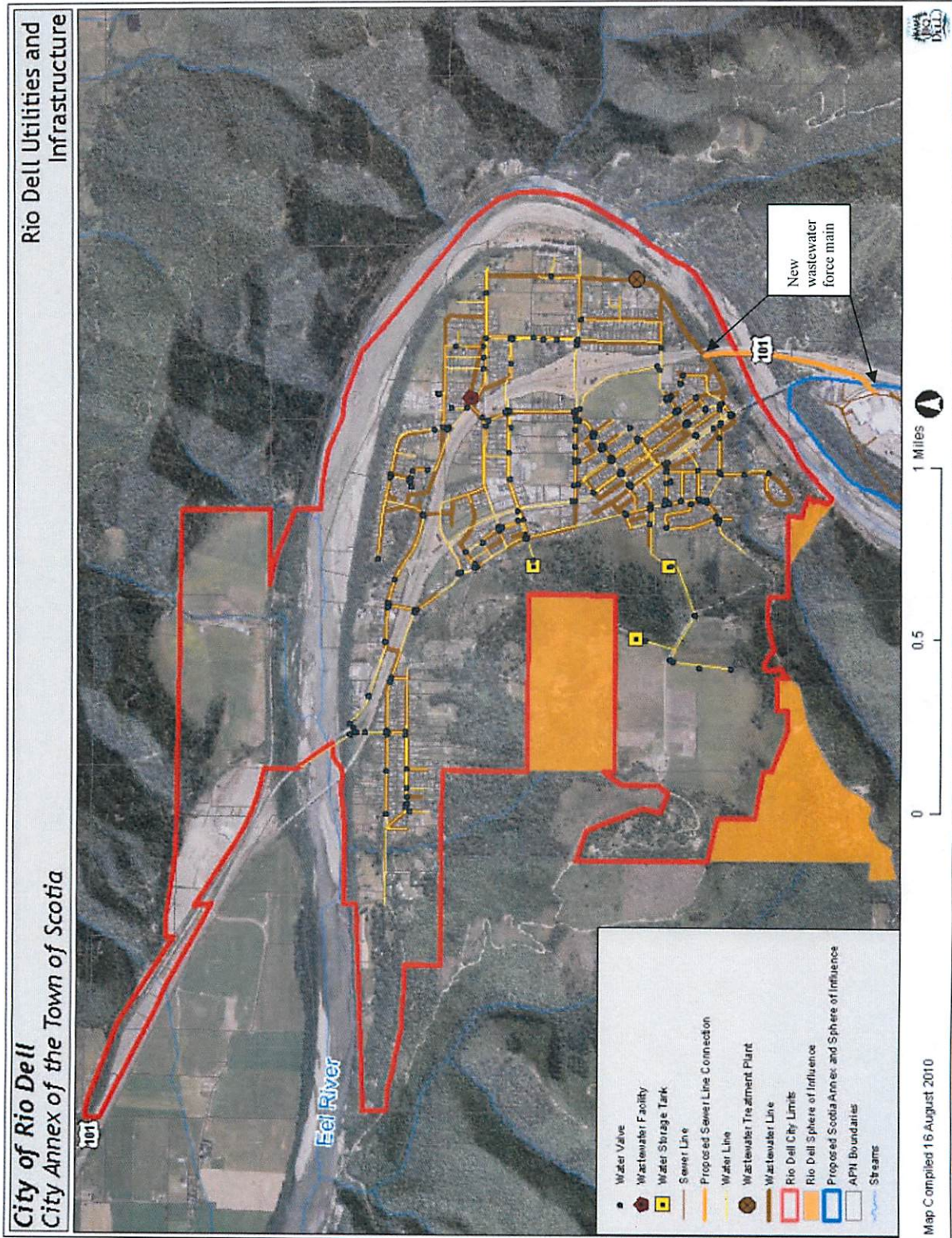


Figure 7 Utilities and Infrastructure Part 2



The CSD Financial Assessment report prepared by Scotia LLC and filed with LAFCO contains the amount of \$385,000 over 5 years to address biosolids disposal issues. Annexation would require that such cost be borne by the developer, Scotia LLC. The current Rio Dell improvement project includes the installation of a state of the art belt filter press system that is capable of also handling the biosolids generated by the residents of Scotia. The City currently has a biosolids disposal site and is working to incorporate a portion of the land in Metropolitan for biosolids disposal. Again, a regional solution to our communities' common problems is far cheaper and more efficient, and that is what we believe our residents expect their government to do.

The City will not likely entertain contracting with a Scotia CSD at some time in the future since it would not have any control over the commercial and industrial development that occurs in the community, and thus would have no control over the type or volume of waste that enters the system.

## **Water Treatment and Delivery**

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### **City Of Rio Dell**

Water service provided by the City includes treatment and delivery of water to customers, administrative services, operation and maintenance of the water treatment and distribution systems, water system testing, billing, and financial and water quality reporting. There are approximately 1,210 water connections. The domestic water facility is located at 475 Hilltop Drive in the Edgewater Neighborhood. The City of Rio Dell has recently completed water system improvements, and in 2006 received a nomination from the American Society of Civil Engineers Association for a Project of the Year Award for the project.

### **Infrastructure**

The City of Rio Dell's water system is in excellent condition. There are currently no major infrastructure deficiencies associated with the existing water system. The City has sufficient storage to meet the recommended two days of maximum day usage with fire suppression flows.

### **Current Water Distribution System**

Water is pumped to a treatment facility for filtration and disinfection before entering the City's distribution system. The City has two pressure zones served by four tanks, ranging in size from 100,000 gallons to 500,000 gallons, for a total combined storage capacity of 1.1 million gallons. The distribution system contains approximately 11 miles of pipe, of which 5 miles were replaced with 10" HDPE pipe under the City's Infrastructure Rehabilitation Project. The remaining distribution system ranges in size from 4 inches to 6 inches and consists mainly of AC pipe.

### **Current Water Source**

The City's water supply comes from a recently completed infiltration gallery in the South Fork of the Eel River. The production capacity of the gallery is tied to water levels within the river, such that in the winter the pumps can deliver around 700 gallons per minute (GPM), but in the summer production falls to about 550 gpm (0.792 MGD).

The City has recently invested in upgrading its water system. Upgrades to the system include:

1. A new infiltration gallery and treatment plant (with a design capacity of 700 gpm); and
2. New storage tanks with 1.1 MG of storage capacity.

The new potable water intake is not far downstream from Scotia's wastewater treatment facility and ponds. This raises serious health and environmental concerns about potential impacts of Scotia's old WWTP's discharge on the City's water supply and the river in general.

### **Current Water Demand**

The City has approximately 1,210 connections within the system, of which approximately 96% are residential connections. The City also serves approximately 49 commercial connections, two landscape connections, and two agricultural connections<sup>vi</sup>.

According to the 2005 Department of Health Services annual inspection report, the City produced 97.5 million gallons (MG) of drinking water in 2004. Average daily use is estimated at 0.267 million gallons per day (MGD), and peak daily use was reported as 0.474 MGD. These figures may be slightly high, as they are from 2004, before the City invested heavily into repairing its distribution system to minimize water losses. In 2006, the City only produced 91.1 MG of drinking water, representing approximately a 7% decrease compared to 2005.

The City of Rio Dell has invested over \$8 million in its water system over the past few years. The system is in very good condition overall and has sufficient capacity to accommodate the City's anticipated growth. Current peak demands are about 45% to 50% capacity.

### **Ability to Meet Regulations and Permit Requirements**

Maximum domestic water capacity is 0.5 MGD with a current average flow of 0.267 MGD leaving an available average flow of 0.233 MGD. Peak daily flows of 0.474 MGD approach the capacity of the system. However, some of the peak demands are met using the available storage in the water reservoirs.

### **Town Of Scotia**

Water supply, storage, and treatment services will be transferred to the City of Rio Dell. The water distribution service is to be improved by the Town of Scotia LLC, prior to dedication and final map recordation, through relocation and burial of distribution lines in the public right-of-way. Also part of the improvement project is the installation of all new services from the new distribution lines to residences with meters, and with verification of serviceability, or installation of new services and meters, to commercial and industrial users.

Raw and treated water storage tank foundations are planned to be modified to meet current seismic codes and standards. The water treatment facility will be improved through installation of two or more turbidity meters, upgrades to the chlorination system and new system electronic controls. As part of a separate maintenance project, the fire suppression water tanks will also be replaced.

The TOS owns Eel River diversion entitlements of up to 4,588,500 (GPD) for drinking water, mill processes, and fire supply (4.6 MGD) and can provide adequate supply for the Town of Scotia and HRC mill operations (Water Right License 6373).

Historical records reviewed for the Detailed Engineering Analysis (Appendix A) indicate that under current conditions, the maximum daily usage was 601,000 gpd, and the average was 484,400 gpd. There is substantial reserve capacity for any reasonably foreseeable industrial development with the current water treatment system. New or expanded drinking water facilities are not necessary. In the future there may be more light industrial operations, using the partially vacant Mill "A" building for which there is an adequate supply of water. Town of Scotia LLC also owns the water intake structure, raw water pumping station, and raw water transmission system for the fire suppression system.

### **Water Storage and Distribution**

The domestic water distribution system needs complete replacement for lines 3 inches in diameter and smaller because lines are leaking, damaged, or unable to meet current standards (4 inch minimum diameter). As shown in the TOS Detailed Engineering Analysis (Appendix A), over 40% of the current water usage is unaccounted for. Proposed upgrades to the system include replacement of over 9,500 feet of main water lines, and installation of meters at every residential and commercial service connection in the domestic water system. Monitoring water use will also facilitate identification of leaks.

Because the town of Scotia is not yet a public entity and therefore does not have its own standards, outside references were used to establish baseline standards in order to determine what improvements would be proposed for Scotia's systems and subsequent capital improvements planning (for upgrading system components to area municipal standards). These include the nearby cities of Rio Dell and Fortuna's standard improvement specifications, referred to in the Detailed Engineering Analysis (Appendix A) as the "City Standards."

### **Annexation Proposal For Water Treatment And Delivery Services**

Under annexation, the City of Rio Dell will receive the water right license from Scotia LLC and the contractual right to water. The City of Rio Dell will operate the diversion facility itself for purposes of conveying its own water. Regarding delivery of the water, this arrangement is structured to require the City to deliver the water or else give HRC the right to use the diversion facility and any replacement facility to divert and convey its own water supply. HRC will be responsible to maintain the distribution of the water for industrial uses and fire suppression.

The CSD Financial Assessment report prepared by Scotia LLC and filed with LAFCO (Table 8) indicates that over a 5 year period, \$2,850,000 will be spent on upgrades and relocation of the water distribution system to be buried in the streets. Annexation to the City would also require these improvements. Beyond delivery system upgrades, the water capacity, quantity and quality in both communities needs no improvement at this time. The City would continue to operate each system separately, though linking them together some time in the future is a possibility.

## **OTHER SERVICE PROVIDERS**

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### **FIRE PROTECTION**

#### **Rio Dell Fire Protection District**

Structural fire protection services in Rio Dell is the responsibility of the Rio Dell Fire Protection District (RDFPD). The RDVFPD states that it can respond to all calls within the city limits within three minutes. The maximum response time to incident calls within the larger Rio Dell Plan Area is between five and seven minutes.

The District has a regular volunteer force of 27 members. All RDVFD personnel must undergo continual training in all phases of fire protection, rescue techniques, and first aid. All firefighters participate in a regular drill on the first and fifth Thursdays of each month, with two eight hour basic skill drills per year for all personnel. Training schedules consist of general operations, safety and medical. On average, seven firefighters are available to respond to calls during the day and 27 are available to respond in the evening. All firefighters have first-responder medical training. Six members are Emergency Medical Technicians (EMTs) and one is a paramedic.

District volunteers are dispatched through the Humboldt Fire Net dispatch Co-op out of Fortuna. Local phones and portable radios are also used to self-dispatch.

**ISO Rating:** The Insurance Services Office (ISO) establishes fire insurance ratings for communities throughout the United States. One of ISO's more well known services is to evaluate the fire suppression delivery systems of fire departments and districts. The result of those reviews is an individual Public Protection Classification (PPC) rating number assigned to the community that the respective fire department protects. The ratings are presented in a rating class structure that ranges from one to 10. Class one is the highest rating, representing excellent fire. The PPC is commonly used by insurance providers to establish home and business fire insurance rates.

Fifty percent of the PPC is based on the fire department (equipment, staffing, training, and geographic distribution of fire companies), 40 percent is based on the water supply (condition and maintenance of hydrants, and a careful evaluation of the amount of available water compared with the amount needed to suppress fires), and ten percent is based on fire alarm and communications systems (telephone systems, telephone lines, staffing, and dispatching system). As of January 1, 2008, the District's ISO rating is four (4.0) within city limits and nine in rural areas.

**Response Times:** The Rio Dell FPD response time is less than five minutes for all service calls within city limits. The maximum response time to incident calls within the Rio Dell Fire Protection District and sphere of influence is between five and seven minutes.

The California Department of Forestry and Fire Protection (CAL FIRE) provides dispatch services through the Humboldt County Fire Dispatch Cooperative. The RDFPD provides service throughout the City of Rio Dell and has often responded to CAL FIRE dispatches to incidents on Highway 101 and as far south as Redcrest. The district has mutual aid agreements with CDF and surrounding fire departments. On average, 7 firefighters are available to respond to calls during the day time. Most of the houses within the city limits are located within 1,000 feet of a fire hydrant.



### **Town of Scotia Fire Department**

Scotia is currently served by their Volunteer Fire Department (SVFD), which is unique in Humboldt County because it is organized as part of the Town of Scotia LLC, rather than a special district. SVFD Volunteers are typically residents of Scotia and in years past were employees of the mill, Town of Scotia LLC or other Scotia businesses. The SVFD has one fire station located at 145 Main Street, roughly in the center of town; provides Emergency Medical Services (EMS) and fire service calls; and operates three water pump engines, two water tenders, and one medical rescue vehicle.

The California Department of Forestry and Fire Protection (CAL FIRE) also provides dispatch services for the SVFD through the Humboldt County Fire Dispatch Cooperative. The SVFD responds to about 45 calls for service per year, approximately 80 percent of which are medically related. Scotia responds to Rio Dell fires and vice-versa.

In addition to filling the two fire suppression water tanks, the fire system also supplies raw water to the cogeneration power plant. A meter was installed at the power plant in April 2006 and the current estimate of raw water use at the plant totals 354,000 (GPD). This represents a baseline demand for the fire system. The system has more than adequate capacity to meet minimum fire flow and duration requirements of 1,500 gpm for 5 hours in residential, commercial, and industrial areas of Scotia, in addition to supplying the power plant.

Scotia's most recent PPC was in the 4.9 to 5.9 bracket and has been in this range since 2003. This is a rating similar to the most recent results for the City of Fortuna, while surrounding rural areas have higher (i.e., less desirable) ratings (Scotia CSD MSR May, 2009).

The SVFD also provides basic life support and EMS. Most members are trained to the first responder level with four trained to the Emergency Medical Technician-I level. City Ambulance of Eureka provides 24-hour advanced life-support and ambulance service to Scotia from its location in Fortuna. The service area of City Ambulance is established by the North Coast Emergency Medical Services Authority (NCEMSA) and would not be affected by the annexation.

### **Annexation Proposal for Fire Protection Services**

Simply based on the PPC rating, consolidation with the Rio Dell Fire Protection District would have a positive impact on Scotia residents and businesses, potentially lowering their cost of fire insurance.

Proposed Scotia LLC- CSD formation documents filed with LAFCO contain a 5 year improvement plan for fire protection in the amount of \$1,700,000 for the replacement of the firefighting storage tank. It also includes the amount of \$766,000 to upgrade fire protection apparatus and protective gear. Annexation would require that these proposed improvements be made by the developer, Scotia LLC.

The privately funded Scotia Fire Department provides service to the Town of Scotia from a single station in Scotia. With annexation, the Rio Dell Fire Protection District (RDFPD) has indicated in a letter<sup>vi</sup> to LAFCo that it is again agreeable to exploring the consolidation of their resources with

those in place in Scotia, for the betterment of the community, for coordinated fire suppression and emergency response services.

Both communities will benefit from a combined, better equipped and better staffed fire capacity. Creating separate districts for adjoining small public agencies runs contrary to the Cortese-Knox Local Government Reorganization Act and does not represent the kind of streamlining of governmental service that the voters demand.

## **Library Services**

### **City of Rio Dell**

The Rio Dell Library, a branch of the Humboldt County Library system since 1919, is located at 715 Wildwood Avenue and is open on Wednesday, Friday, and Saturday. The branch has computers and Internet access available for public use. According to the Humboldt County Library 2008-09 Annual Report, there were 12,015 items borrowed from the Rio Dell Branch or 3.8 items borrowed per capita.

### **Town of Scotia**

Library Services within the Town of Scotia are currently provided by the County of Humboldt, with the nearest branch located in the City of Rio Dell.

### **Annexation Proposal for Library Services**

Annexation of the Town of Scotia by the City of Rio Dell will not facilitate a change in services presently being provided at the existing library facility.

## **Solid Waste Collection and Disposal**

### **City of Rio Dell**

The City of Rio Dell contracts with Eel River Disposal and Resource Recovery (ERD) for municipal solid waste collection services. ERD offers Rio Dell residents weekly garbage pickup and bi-weekly curbside recycling and green waste. The City promotes composting and sells compost bins at a subsidized rate to City residents.

### **Town of Scotia**

Solid waste collection and disposal service for the Town of Scotia is also provided by ERD. According to ERD staff, the quantity of solid waste collected in Scotia is not accounted for separately from other unincorporated areas; one truck provides collection in residential areas once a week, and other waste is collected at the Fortuna transfer station and various drop-off locations in the area.

Scotia is within the County jurisdiction and the County is a member of the Humboldt Waste Management Authority. Scotia solid waste is disposed at the transfer station in Eureka. From there, the waste is transported by truck to existing, permitted disposal facilities, either Anderson Solid Waste Disposal Site in Shasta County, California or Dry Creek Landfill near Medford, Oregon.

### **Annexation Proposal for Solid Waste Collection and Services**

Waste management services in Scotia are on par with neighboring areas of Humboldt County and are adequate for the demand. This service will not be interrupted or changed as a result of annexation. Waste collection, recycling, and disposal services will continue to be provided by ERD. After annexation, the City would represent the community of Scotia when the solid waste contract comes up for renewal.

### **Public Transit**

#### **City of Rio Dell**

Humboldt Transit Authority, a Joint Powers Authority of which the City of Rio Dell is a member, operates the Redwood Transit System (RTS). RTS offers service from Trinidad to Scotia, including service to Rio Dell, and services the community approximately 18 times per day. Rio Dell residents can take seven northbound and five southbound on weekdays, and four Saturday busses to Fortuna or the Eureka/Arcata area from three bus stop locations: at Rio Dell City Hall, Rigby and Davis Streets and Center and Rigby Streets.

#### **Town of Scotia**

Scotia is also served by RTS. A small population and low ridership limit public transit options within Scotia. At present, there is one bus stop at Hoby's Market in Scotia. Regional bus service from Monday to Friday has seven scheduled stops going north: four in the morning and three after noon. There are six scheduled stops proceeding south from Hoby's Market. Two are in the morning and four are afternoon. According to the census population count, 0% of Scotia residents commute to work by bus, 14.4% commute to work by carpool, 62.4% commute to work by automobile, and 3.2% work from home (2000 U.S. Census).

### **Annexation Proposal for Transit Services**

Upon annexation, ridership statistics and cost for both Scotia and Rio Dell will be re-evaluated.

### **Power, Natural Gas, Telecommunications, Cable**

#### **City of Rio Dell**

##### **Electrical**

Power within the City of Rio Dell is provided by Pacific Gas and Electric (PG&E).

### **Natural Gas**

The City of Rio Dell is served by PG&E natural gas facilities. PG&E owns and operates the natural gas distribution network in the City and all users are individually metered. Natural gas services in the City are adequate for the current and proposed demand.

### **Telecommunications**

SBC Communications Inc. (formerly Pacific Bell) is regulated by the California Public Utilities Commission and provides a full range of telephone and broadband internet service to businesses and residents in the City of Rio Dell. SBC owns its own facilities within the City. Telephone service within the City is adequate for the current and proposed demand.

### **Cable**

Suddenlink provides cable television and broadband Internet service to City of Rio Dell residents. Suddenlink owns its cable facilities within the City, located on joint utility poles. Cable services in the City are adequate for the demand.

### **Town of Scotia**

#### **Electrical**

The TOS currently provides all electric power to Scotia with a 32.5-megawatt biomass-powered cogeneration plant (combined heat and power). TOS owns the power distribution system as of this writing, including the poles, conductors, transformers, and meters. TOS sells power developed from wood waste from HRC milling operations to PG&E to produce electricity to run the manufacturing facilities and to light homes and businesses in Scotia. At present, TOS establishes its own rates and charges for providing electric service to customers (Scotia CSD MSR May 2009)<sup>vii</sup>.

The CSD Financial Assessment report prepared by Scotia LLC and filed with LAFCO indicates in the 5 Year Capital Improvement Plan (Table 8) that \$1,100,000 will be spent on incorporating the existing power supply and distribution system into the regional PG&E system. However, since the CSD would have no ownership interest in the cogeneration plant and is not a party to selling power to PG&E, this appears to be a business decision for Scotia LLC and should not be a CSD charge to the residents of Scotia.

### **Natural Gas**

Scotia is the most southern Humboldt County community served by PG&E natural gas facilities. Natural gas services in Scotia are similar to those available in Rio Dell and are adequate for the demand. Several commercial buildings and approximately nine (9) residential buildings use steam and are being converted to natural gas. The conversion is almost complete at the time of this MSR, so it is not part of the proposed project. Natural gas service will not be interrupted or changed as a result of annexation to Rio Dell. (Scotia CSD MSR May 2009).

### **Cable**

Suddenlink provides cable television and broadband Internet service to residents of Scotia. Suddenlink owns its cable facilities within Scotia, which are located on joint utility poles. Although AT&T owns and operates a fiber optic line in Scotia, the TOS owns its own fiber optic telecommunications facilities that distribute broadband communications services to company

offices in Scotia. These are customer-owned facilities and are not regulated by the CPUC. Cable services in Scotia are similar to those available in Rio Dell and are adequate for the demand.

### **Annexation Proposal for Public Utilities**

There are rumors that the cogeneration power plant is for sell by TOS and that there is a willing buyer. For Scotia, PG&E will incorporate existing power supply and distribution systems into its regional operation at the expense of the developer. The improvements proposed in the CSD application would also be required as a condition of annexation to the City. No changes are foreseeable as the result of annexation for natural gas, telecommunication and cable services.

### **FISCAL ANALYSIS OF ANNEXATION OF SCOTIA TO CITY OF RIO DELL**

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This annexation presents a very unique set of circumstances in terms of a built-out community with 272 existing residences, existing commercial and industrial businesses, including a producing lumber mill, most of which is 80 – 100 years old and carries with it the base value that was set on the property when Proposition 13 was passed by the voters in 1978.

It is unknown what the 335 lots and improvements will sell for in today's market and the TOS is not forthcoming with an updated timeline for the sale of the town's assets or a forecast as to what the sales might be for each of the next ten (10) years. Without this information, a projection of the total increased property tax revenue cannot be made. For example, the Financial Assessment report for the CSD states that the average assessed value for a residence in Scotia is \$31,400. Assuming that is accurate, the 1% property tax would generate \$314 for all taxing agencies, with more than one-half of that revenue going to the schools system (52.85%). The question is what will that residence sell for when it is placed on the market?

The TOS report for the CSD (Appendix C) noted above relies on the outdated information in the **MuniFinancial**<sup>viii</sup> report and assumes that the Scotia residence will sell in the range of \$175,000 to \$225,000. The City is not comfortable using such resale projection. The big unknown in any financial analysis is what will the more significant improvements sell for, and when? One has to assume that the TOS will attempt to market the mill, cogeneration facility, Scotia Inn and other commercial property first.

The **MuniFinancial** Report prepared on this topic when annexation was being discussed with PALCO was unfortunately released just before the real estate market crashed. Consequently, today much of that report is of limited value. However, the "status quo scenario" assumption noted in the report (page 62) for revenue sources and tax increment sharing for the general and street funds (page 41) appears to be still reasonable; estimating the annual income to the City from all sources (net of the State mandated Education Revenue Augmentation Fund transfer @ 29%) at \$200,000.

Cities receive revenue to fund services that CSD's do not. For example, through annexation the City would receive Transient Occupancy Tax, Sales Tax, Vehicle License Fee (VLF), VLF Per Capita revenue, VLF Tax in-Lieu, Transportation Development Act funds and Gas Tax revenues. So, the special assessments proposed under the CSD are not required under annexation. Under the CSD

proposal, most of these revenues would remain with the County to be used countywide. Under annexation they will be spent for services and improvements in the community--another plus!

If one assumes that the present assessed value for the area of Scotia to be annex is \$35 million for land and improvements and that the sale today would increase that value by 3 to 5 times, like the example of the residence, the total value would be \$140,000,000, which would generate \$1,400,000 in local property taxes for all agencies when all properties are ultimately sold. The City's share is projected to be 14.16%; 8.7112 % for the general fund and 5.45% for streets, for a total of \$198,000 annually<sup>ix</sup> netting at \$140,750 after the ERAF transfer.

The estimated budget impact due to the annexation of Scotia in the first year reflects a cost greater than the projected revenue in the amount of \$50,300, due to one-time start-up expenses. One additional Police Officer is added in year one at the cost of \$52,200. The second year projects revenues over expenditures by \$17,200, and adds a second Police Officer and new patrol vehicle at \$87,200. The fifth year also projects a revenue gain over expenditures totaling \$39,400. See Table 7 below.

**Table 7: Fiscal Impact-General & Street Funds**

<b>Year</b>	<b>First Year</b>	<b>Second Year</b>	<b>Fifth Year (projected)</b>
<b><u>Revenue</u></b>			
Property Tax (net)	\$45,000	\$48,000	\$ 60,000
Sales Tax	29,000	29,000	35,000
Vehicle License Fee	110,000	159,000	160,000
Per Capita Revenue	60,000	49,000	50,000
Gas Tax/TDA	36,500	27,500	27,500
<b>Total Revenue</b>	<b>\$280,500</b>	<b>\$312,500</b>	<b>\$ 332,500</b>
<b><u>Expenses</u></b>			
Planning/Building	10,000	10,000	10,000
Ball Field Maintenance	27,000	27,000	25,000
Streetlights	36,500	36,500	36,500
Street Maintenance Costs	10,000	20,000	20,000
Police	52,200*	139,200**	139,200**
City Administration	42,600	42,600	42,600
Storm Drainage	20,000	20,000	20,000
Initial One-Time Cost	135,000	0	0
<b>Total Annual Expenses</b>	<b>\$330,800</b>	<b>\$295,300</b>	<b>\$ 293,100</b>
<b>Projected (Cost)</b>			
Revenue to City	(\$ 50,300)	\$ 17,200	\$ 39,400

\* First year cost includes salary and benefits (S&EB) (\$45,700), officer equipment (\$2,500) and vehicle expense (\$4,000).

\*\* Second - fifth year costs includes \$48,000 for Officer #1 for S&EB, \$45,700 S&EB for Officer #2, officer equipment (\$2,500), vehicle expense (\$8,000) and new vehicle, light bar, radio, etc. (\$35,000).

The City of Rio Dell has determined as best it can that the amount of revenue that will be generated from the annexed territory, from existing sources, will be sufficient to fund the full range of public

services to be extended to Scotia. Contrary to the opinion that several residents have publically expressed, Rio Dell residents/taxpayers will not be subsidizing Scotia under annexation.

## **MUNICIPAL SERVICE REVIEW DETERMINATIONS**

### **1. Growth And Population Projections For The Affected Area**

The growth rate of Rio Dell is expected to increase in future years due to annexation of new residential land, increased density included in proposed General Plan amendments, and new industrial development and annexation, which could increase the job base for the City. At the projected annual growth rate of 0.73 percent, the population of Rio Dell will reach 3,948 by 2030. Given the existing maximum day demands estimated at 0.474 MGD, the water system is operating at approximately 60% of source capacity. Therefore, there are approximately 786 additional connections available from the existing infrastructure.

With annexation, the growth rate for Rio Dell and Scotia combined is expected to increase in future years due to better jobs, housing balance and the City's commitment to facilitate new industrial development in both the Eel River Industrial Park and Scotia. Having a combined population/workforce will increase the likelihood of industrial and commercial development, thereby growing the job base and work force. At a projected annual growth rate of 0.73 percent, the combined population of Rio Dell/ Scotia is estimated to reach 4,750 by 2030; still considered a small City.

Over the years, the City has relied on its population and demographics to qualify for a number of assistance and grant programs. Due to the perceived similarity of the population in Scotia and Rio Dell, annexation should not affect the City's ability to successfully compete for competitive grant funds.

### **City Economic Development Strategic Plan – Addressing Economic Growth**

The City recognizes that economic development strategic plans are an important tool to promote a vibrant local economy and generate revenues to support city services. The Rio Dell Economic Development Strategic Plan<sup>x</sup> (EDSP) was adopted by the City to enhance business opportunities and preserve and enhance the natural environment of the community. Strategies have been developed to create new jobs, diversify the economy, and to enhance the City's commercial and business resources. The strategies in the plan will be updated to include tapping the potential of Scotia after annexation.

It is believed that the commercial district in Scotia will benefit greatly from annexation when both communities identify with one another as truly being 'the local community'. The economic health of the larger community will be stronger and more resilient than two (2) separately identified small communities.

As a note, Community Service Districts typically do not prepare plans for population and economic growth, other than calculating service projections. Such CSD based service projections are typically reactive to growth trends, rather than the more proactive approach that City's take through general plans and economic development strategic plans.

The Rio Dell Economic Development Strategic Plan (EDSP) is a plan of action for the city to build on its economic resources, identifying methods to attract new business and increase economic opportunities. The plan includes a baseline economic profile of the city's labor force, land use, service capacity, and revenue generating sources. Again, this is a benefit of annexation for the business community that is not typically prepared for CSDs.

The City conducted an analysis of local and regional economic development resources and identified assets that the city can draw upon to be more attractive to business. The Rio Dell Economic Development Strategic Plan (EDSP) lays out a plan of action to increase revenues for City functions, attract new businesses and grow existing businesses. And, it will assist the City in becoming widely recognized as a business friendly community. The inclusion of Scotia into the City's plan will expand the attraction of the area for commercial and industrial possibilities. Rio Dell is earning the reputation of being the most friendly and helpful agency to contractors and businesses looking for new opportunities and markets.

While economic growth is not a core determination for LAFCo decisions, it has high importance when considering a City organization or CSD as the service provider in this case. A small CSD, such as is being proposed for Scotia, would have very little ability to fill the vacant store-fronts and industrial areas of the town, both at time of formation and in the future. It's not what they do--it's what Cities do!

Should Scotia's industrial base further decline, corresponding revenues vital for service delivery would be reduced as well. A good example of this happening is on the Samoa Peninsula near Eureka, California, where mills have shutdown. Special district revenue have significantly plunged, seriously diminishing the capacity of the Samoa Peninsula Fire Protection District to deliver services. Adjoining fire service providers have had to increase mutual aid responses, at their own expense. Rio Dell could find itself in a similar circumstance if a Scotia CSD was not financially able to deliver the services that the community required.

In any event, the City of Rio Dell has a long successful track record of receiving grant funds for economic development, housing rehabilitation, energy conservation, industrial site evaluation and clean-up for hazardous waste sites, and more recently industrial site reuse. These capabilities will benefit Scotia in the new use and redevelopment of approximately one million square feet of vacant space in their industrial footprint.

## **2. Present and Planned Capacity of Public Facilities and Adequacy of Public Services, Including Infrastructure Needs or Deficiencies**

With annexation, all services for Scotia will be combined with the services already being delivered just across the Eel River in Rio Dell—the process should be seamless. Further, the City already has most of the staff needed to provide these services.

All residents within the expanded City boundaries will be served with public infrastructure including water, sewer and other services provided by the City. The costs of public services within the City of Rio Dell, made available to Scotia residents, would be comparable to other similar sized cities in the region. The City of Rio Dell is in compliance with all local, state and federal financial



requirements. Overall, City of Rio Dell staffing levels, including the Utility Worker positions in the proposal, are sufficient in all areas to satisfy the needs of both the City and the Scotia residents.

The City has currently on staff two (2) Grade II Licensed Operators for both its water and wastewater systems, which allows for continuous 24/7 coverage without regard to staff turnover, sickness or vacation schedules. The current Scotia system will require licensed water and wastewater operators immediately upon the established of the CSD; a higher requirement of the RWQCB than that imposed on a private company.

For wastewater disposal, the City is presently negotiating for, and has funds available to purchase a 36.9 acre parcel north of the City as an irrigation site for summertime disposal. The City is currently working closely with the RWQCB and is completing upgrades to its Wastewater Treatment and Effluent Disposal Facilities. The City is currently addressing issues that the CSD will likely have to address in the immediate future as their permit comes up for renewal in 2011.

Annexation will facilitate a regional solution to the aging wastewater treatment facilities in both communities, savings residents at least \$5,000,000 in capital cost and reducing the seven (7) day per week operating cost by approximately 50% for personnel, chemicals, tests, repair and maintenance.

The City of Rio Dell's water system is in excellent condition. There are currently no major infrastructure deficiencies associated with the existing system. The City has sufficient storage to meet the recommended two days of maximum day usage with fire suppression flows. While much of the original private system has been replaced, there are some portions that still need replacement. Given existing maximum day demands are estimated at 0.474 MGD, the water system is operating at approximately 60% of source capacity. Therefore, there are approximately 786 more connections available under the existing infrastructure, which is more than sufficient to provide service to Scotia residents and businesses. There is also the existing water system in Scotia that would continue to be operated, such that there is more than ample water for both Rio Dell and Scotia.

#### **City of Rio Dell's Ability to Take on Maintenance of Town of Scotia Streets**

The current traffic count data and the traffic count data from Caltrans and the Humboldt County Public Works Department attest to the fact that there has been no significant change in traffic flow from 1973 to present. The Scotia subdivision may result in some new people employed outside the town limits of Scotia, resulting in an observable, but not significant, increase in traffic during a.m. and p.m. peak hours at the Junction 283 intersection with Highway 101. This slight increase would not significantly affect traffic flows in the area. In addition, the PEIR prepared by the County for the Scotia subdivision concluded that annexation of Scotia to the City of Rio Dell would not result in any significant impacts associated with traffic increases, Level Of Service (LOS), roadway geometry (design features), or incompatible land uses affecting emergency access.

The County of Humboldt has historically assumed responsibility for the maintenance of all streets and culverts from Main Street east to the freeway. The County continues to assume this responsibility even under the CSD proposal. Interestingly, though the CSD would not be responsible to maintain the roads, it proposes a monthly assessment (street lighting/road

maintenance @ \$14.54) for all property owners for street maintenance, and additionally assumes that the County will agree to transfer to the CSD that portion of the property tax related to road maintenance.

It is illogical to approve a monthly CSD user fee for the maintenance of roads that the CSD is not responsible to maintain. Furthermore, a recent inquiry to the County determined that the TOS's pivotal assumption regarding the transfer of property tax funds, on which the funding of the CSD is balanced, is not likely to happen.

The City proposes to accept the County roads into the City's maintained road mileage system, in exchange for the transfer of the County Road Fund tax base for the area to the City. Only under the annexation proposal is the County relieved of the responsibility for the maintenance of Scotia streets, culverts and storm drainage for the first time in 100 years. Unimproved roads and roads in poor condition in Scotia, principally on the west side of Main Street, would be required to be paved by Scotia LLC with two (2) inches of pavement overlay before being accepted into the City's road system.

The CSD Financial Assessment report prepared by Scotia, LLC and filed with LAFCO includes the amount of \$1,793,000 for road repairs, resurfacing, curb replacement and the like, mainly as the result of the utility upgrade and relocation program. Annexation would require these improvements as well. The City would then have most streets in an improved condition to maintain. Again, maintaining streets in Scotia and Rio Dell by a single service provider is far more efficient than having three entities (County, City and CSD) maintain separate streets.

The improvements of Scotia roads as now proposed under the CSD removes one of the sticking points that PALCO claimed drove them from the bargaining table back in 2007. The agreement by TOS to this requirement by the County, as a condition of approval for their final subdivision map, validates the consistent annexation proposal of the City all of the way back to 2006.

#### **Compliance with Americans with Disabilities Act (ADA) Access**

Due to historical resources present in Scotia, any planned changes to existing roads require consultation with the Design Guidelines to avoid or minimize historical resources impacts. ADA access is already being met by existing curb ramps. Some additional curb ramps may be required as a result of other work related to the proposed CSD capital improvement project.

#### **City of Rio Dell's ability to Provide Regional Wastewater Services**

As stated elsewhere in this report, the cost of a new stand-alone wastewater treatment facility and disposal system for Scotia will likely cost the community approximately \$10,000,000, as compared to approximately \$4.9 million for a shared facility with Rio Dell through annexation. Inasmuch as Scotia has committed in their CSD proposal to spend \$2.4 million for upgrades to the old plant over the next 5 years, but retain it in the Eel River flood zone, probably the most flood prone river on the north coast, it would only cost an additional \$2.5 million to participate in a regional system that solve all of the communities WWTF problems.

The City is presently engaged in the planning and engineering for the total replacement of its wastewater plant and disposal system. It is foreseeable that either the flood water of the Eel River

or the RWQCB will cause the replacement of the Scotia WWTF in the very near future. If the developer is held responsible for this infrastructure improvement as a condition of annexation, the future residents (800) will not find themselves indebted for that cost when it occurs.

The regional solution to our common problem, through annexation, will save the residents in both communities millions of dollars up front, cut on-going operational costs by 50%, eliminate potential health issues in the communities potable water systems and cost residents 15% less per month in the worst case scenario.

The August 25, 2010 draft rate structure prepared by the City projects a combined wastewater monthly rate of \$63.67, compared to the monthly cost for a \$10 million separate system for Scotia (including O&M at \$40-\$50/ EDU) estimated at \$120-\$130. Clearly the regional approach cuts the monthly cost to Scotia ratepayers for a standalone system by 50%.

### **City of Rio Dell's Ability to Operate Scotia's Water System**

Scotia's water distribution system is being upgraded to meet current standards of practice to serve residential and commercial areas, as required by the subdivision map act. The new improvements will meet current standards of practice for annexation to the city of Rio Dell.

The City supports the modifications to the transmission and distribution system that will also include construction of facilities to provide a combination potable domestic and fire suppression water system, thus separating Scotia water infrastructure from HRC mill facilities infrastructure. This is the type of improvement that the City requested in 2006 when annexation discussions were in play with PALCO.

The existing industrial fire suppression water distribution system (excluding the new tank) will continue to be owned and operated by HRC, with appropriate easement access negotiated with the City of Rio Dell for raw water to be acquired and pumped (by City-operated pumps) to the existing one million gallon raw water storage tank. Then, it is to be diverted to the existing raw water fire tanks and the treatment plant where water is subsequently treated and stored in the existing 488,000-gallon tank.

Portions of the existing non-industrial fire suppression water distribution system will be incorporated into the new domestic water system. Service to residents will not be significantly interrupted by the infrastructure improvements, as this type of work is typically performed in municipalities to upgrade or modify existing infrastructure.

There is substantial reserve capacity for any reasonably foreseeable industrial development with the current water treatment system. As discussed earlier, water system capacities are sufficient to serve the existing community. No new water treatment facilities or expansion of existing facilities would result from annexation and subdivision. However, improvements are being prompted by the need for Scotia to file a subdivision map in order to sell properties and the proposed transfer of operations to the City.

In addition, the planned upgrades to the water supply system, and particularly the replacement of a significant portion of the water main lines, will result in decreased water losses and therefore added

capacity. The current water supply system is adequate to fulfill the demand on the system and the annexation and subdivision would not cause or create a substantial increase in the existing water demand for the town of Scotia.

The City's intent through annexation is to operate the systems separately for a period of time with the same monthly user fee structure for all residents.

As mentioned above, the annexation to Rio Dell would result in the developer, Scotia, LLC, making water distribution system upgrades estimated to total \$2,850,000 over 5 years, and water treatment system upgrades estimated at \$770,000 over 5 years. It is customary for the subdivider to cover these costs. Having these paid as part of subdivision process would significantly reduce monthly costs to future property owners, making homes and other properties more affordable.

The agreement of Scotia LLC to upgrade most of the water system, as a condition of approval for their final subdivision map, removes a major point of disagreement that dates back to 2007 between the City and the developer. This agreement also supports the annexation proposal of the City.

#### **City of Rio Dell's Ability to Operate Scotia's Drainage System**

Drainage and wastewater infrastructure will be separated after reconstruction. As Scotia is currently "built out," existing storm drain lines will not require size upgrades. However, stormwater modeling and facilities planning will be conducted to confirm system component capacities. The annexation and subdivision do not include significant land use changes from existing conditions and would not create or contribute runoff water that would exceed the capacity of existing or planned stormwater drainage systems. Nor would there be substantially more sources of polluted runoff to substantially degrade water quality.

The annexation and subdivision would not result in any physical modifications to the existing drainage pattern and would not involve alteration of a stream course or river. A minor increase in runoff associated with the development of three vacant residential and two commercial parcels in Scotia could occur under the proposed subdivision. The impact of this increase on the area stormwater drainage system is not expected to exceed the capacity of the existing or planned stormwater drainage systems or provide substantial additional sources of polluted runoff.

Although there are existing uses located in flood hazard areas within the town of Scotia, the annexation and subdivision would not expose people or structures to a significant risk of loss, injury, or death, including flooding as a result of higher river flows, above the existing level of exposure.

Currently there is some commingling of residential and industrial stormwater discharges in Scotia. However, during the NPDES permit renewal process, it was determined that stormwater discharges from the Town of Scotia were not required to be covered under an NPDES permit because the TOS is not currently designated as a regulated Small Municipal Separate Storm Sewer System (Small MS4) by the SWRCB or the RWQCB. Consequently, the Phase II regulations of the Municipal Stormwater Permitting Program do not apply.

The annexation to Rio Dell would not constitute an automatically designated Small MS4 because a Rio Dell/ Scotia combination would not qualify as an Urbanized Area (an area of population of 50,000 and a population density of 1,000/square mile). At some point in the future, if the SWRCB or the RWQCB chooses to designate the City of Rio Dell as a regulated Small MS4, then the City would be required to obtain coverage under the General Municipal Permit and comply with the general permit requirements.

#### **City of Rio Dell's Ability to Operate Scotia's Park and Recreation Facilities**

The City of Rio Dell would be responsible for the same park and recreation responsibilities that the TOS currently administers. As a public entity, the City has been successful in the past and would continue to be eligible for state and federal funding for improvements.

The City of Rio Dell is the most appropriate agency to continue the operation and maintenance of Scotia's park and recreation facilities, including landscaped public areas and the Winema Theater. Upon annexation, parks and landscape open spaces will be operated and maintained by the City of Rio Dell and will have the capacity to meet levels of service standards and standards of practice normally associated with park, recreation, and open space as well as comply with applicable regulatory requirements.

Existing parks and landscaped open spaces are considered as "contributing resources" to the Town's eligibility for historic district status. Any changes and improvements to parks, buildings and improvements and public open spaces will be subject to design guidelines and design review.

Notwithstanding TOS pamphlets circulated in the community to the contrary, the City would not require residents to pay a monthly user fee for parks and recreation. Actually, that is a TOS proposal as noted in their 2007 Financial Assessment Analysis (Table 4).

Two (2) outside maintenance personnel presently employed by the Town of Scotia, LLC are proposed to be transferred to the City to continue similar duties. Consolidating public works staff resources would allow a crew of workers to tackle any maintenance project and to cover for one another during both scheduled (vacations) and unscheduled (medical leave) time off.

#### **City of Rio Dell's Ability to Provide Scotia Law Enforcement (Police) Services**

The Humboldt County Sheriff's Office (SO) currently provides public law enforcement services to the Town of Scotia; providing the same level of service as received in the unincorporated area of the County. The City of Rio Dell Police Department (RDPD) provides backup to the SO. There is also private security provided by the TOS, which would not be available to new property owners. With annexation, the RDPD will immediately take over police service responsibility in Scotia.

The RDPD has eight (8) sworn officers and seven (7) police cruisers to serve its residents. Based on an existing officer to population ratio in the City of 1.8 per 1,000 residents, and a projected increase in residents serviced in Scotia (272 residential units times the County average of 2.37 persons per household), the annexation could generate over time a demand for two (2) additional police officers to service the larger community.

If the CSD is established, the City of Rio Dell cannot be expected to provide municipal law enforcement services to Scotia at the expected call volume of 1,000 to 1,200 calls per year. It is only through annexation that Scotia will receive municipal level police services from the City.

### **City of Rio Dell's Ability to Preserve Scotia's Historical, Cultural and Architectural Character**

The City of Rio Dell is committed to preserving Scotia's historic and cultural heritage by adopting an historic overlay for the community. The City believes it is critical to preserve the setting of the town through land use and strict design controls in order to maintain its architectural significance and the company town identity associated with lumber production. There may be pressure in the future when the lots are sold to change the commercial and industrial uses there, which could affect the town's ambiance and setting. Local planning and administration will involve the immediate community and will greatly improve the chances of preserving Scotia's unique presentation.

As stated in the *Scotia Historic Assessment Study* dated October 24, 2007<sup>xi</sup>.

"It should not be the intent of any measures to prohibit a community's growth or development, but rather to guide maintenance, alterations, renovation and re-constructions, in order to maintain the integrity of Scotia's cultural and historical resources, and to develop a compliance and review process to minimize future impacts."

### **3. Accountability for Community Service Needs, Including Governmental Structure and Operational Efficiencies**

The City of Rio Dell operates the water system on an annual budget of approximately \$540,000. The majority of this income is from service charges, but funding also comes from property taxes, interest revenue, connection fees, and other sources. The City has recently implemented a new Capital Improvement Plan that includes building a reserve fund. The estimated year-end balance in the reserve is down to \$40,000 with a large accounts receivable. However, the existing rate structure will allow the reserve to rebuild and remain strong.

The wastewater reserves have been tapped to fund the current planning and engineering efforts for a new system. Consequently, the city has secured a planning loan and is in the process of arranging loans and grants for the estimated \$12.9 million upgrade and property acquisition. Funding for wastewater infrastructure would likely come in the form of a low interest loan, such as a State Revolving Fund loan with a 30 year term.

Under annexation, the developer would fund all capital improvement identified in their MSR through short term bonds repaid by real estate and improvement sales revenues. Therefore, the residents of Rio Dell will not be burdened with these costs, but will benefit by the expansion of the rate base by approximately 25% for shared or common services and facilities with Scotia residents.

In Rio Dell's City Manager Ron Henrickson, August 25, 2010 letter to LAFCo<sup>xii</sup>, the City has analyzed the rate structure separately for the residents of Rio Dell and Scotia with separate systems, and then estimated the monthly rate for residents under a combined system. Not surprisingly, the

rates for a regional/combined system will be favored by homeowners. It is assumed in the estimates that the regional system will cost \$17,470,000, of which \$6.57 million will be financed over 30 years at 3% interest, \$6 million is to be received from grants funds and the remainder (\$4.9 million) is the responsibility of the developer.

Rio Dell's present monthly wastewater rate is \$60.13. A replacement of the old system with a new state-of-the-art wastewater plant at the present location, including a wastewater disposal system at Metropolitan Avenue, would increase the rate to \$75.30. However, a combined/regional system would reduce that monthly cost by \$11.63 to \$63.67, a rate applicable to both communities. The collective savings would amount to more than \$254,000 per year. As mentioned earlier, this rate is roughly ½ of the monthly cost that a Scotia Resident/business would pay under a separate Scotia system.

A regional system is the answer and can only happen through annexation! A regional system is the superior environmental alternative as it removes two (2) old technology wastewater plants and attendant evaporation ponds from contact with the Eel River, the goal of the RWQCB.

#### **4. Status of and Opportunities for Shared Facilities.**

This determination provides the most compelling reason for the Humboldt LAFCo Commission to select annexation of the Town of Scotia to the City of Rio Dell, over the formation of a Community Services District. Upon annexation, all municipal services in Scotia and Rio Dell would be shared and managed by a single municipality.

By combining Rio Dell and Scotia, both communities will be served under a single management structure, with no duplication of management, accounting, human resources, office space or support staff. The larger tax base from annexation will be used to attract and retain more qualified staff.

The City of Rio Dell is prepared to manage and operate combined wastewater treatment, water supply, stormwater drainage, street maintenance and street lighting, landscape maintenance and recreation services, and is the most cost effective manager of these services because of the following cost-reducing strategies and management measures:

- Joint purchasing programs through the City for goods and services
- Common use of space at City Hall, at no cost. The joint use of law enforcement and fire Department space between the City and RDFPD should also lead to economies of scale for operational costs, utilities and maintenance.
- Consolidation of Scotia and Rio Dell operations, administrative and billing services, payroll, budget and insurance requirements in the same facility. This will promote efficiency in the provision of all services.
- Better coordination and deployment of emergency service personnel at times of fires and natural disasters.
- Consolidation of maintenance staff will allow increased efficiency and effectiveness in the street maintenance and parks systems.

- Consolidation of water rights and water collection and pumping stations.
- Grant qualification and administration experience puts the City quickly into the position to apply for and possibly receive millions of dollars of grants and low interest loans.
- Increased size of rate base (population) keeps the cost per unit down and user fees as low as possible.
- The full range of municipal services will be available immediately.
- Redevelopment Agency tools are available to the City, but not to the CSD. When annexation occurs, the formation of a redevelopments agency will be critically analyzed by the City and pursued if feasible.
- CBDG programs for such programs as First Time Home Buyer, Home Rehabilitation and Public Works Infrastructure grants are available through the City, but not a CSD. These programs are currently in use by the City.
- Brownfields grants and low interest loans to clean-up contaminated sites are available to Cities, but not CSD's. These programs are currently in use by the City.
- COPS grant to Cities increase law enforcement services, not available to CSD's. Rio Dell currently utilizes this grant program.
- Special revenues flow to Cities for municipal services that are not received by CSDs, thereby lessening the need for special assessments as proposed by the CSD. This amount is estimated at \$198,700 annually to fund local services and will only grow in the future.
- Planning and building services are local in-house or by contract, and will be more sensitive and responsive to the historical, cultural and architectural character of the community.

### **Opportunity for Compatible and Coordinated Fire Protection Services**

The privately funded Scotia Fire Department provides service to the Town of Scotia from a single station in Scotia. With annexation, the Rio Dell Fire Protection District (RDFPD) is again agreeable to exploring the combining of their resources with those in place in Scotia for coordinated fire suppression and emergency response services.

Applying the firefighter to resident population ratio to Scotia population yields a firefighter demand of an additional three to five firefighters and associated equipment. This is consistent with current staffing and facilities at the Scotia Fire Department. The ISO rating that RDFPD brings to Scotia will likely reduce fire insurance premiums for future residents and businesses.

Both communities will benefit from a combined, better equipped and better staffed fire capacity. Creating separate districts for adjoining small public agencies runs contrary to the Cortese-Knox Local Government Reorganization Act, and contrary to the community's desire to receive services at the lowest possible cost.

### **Other Shared Services That Can Be Better Coordinated by the City of Rio Dell**

Major services that will continue to be provided by private providers include solid waste collection and disposal, cable, natural gas and telecommunications. In addition the City currently has a



franchise agreement with Eel River Disposal to provide municipal solid waste within the City's boundaries.

The Rio Dell Branch of the Humboldt County Library is staffed by the County. Rio Dell has a memorandum of understanding with the County which transfers all library equipment owned by the City to the County. The County is responsible for maintenance, supplies and property insurance and equipment, but the City owns the library building which is located on RDFPD land. Building repairs and maintenance occur through donations from residents and through fund raisers coordinated by the Rio Dell friends of the Library. None of this would be in effect under a CSD.

##### **5. Accountability for community service needs, including governmental structure and operational efficiencies.**

Cities in California typically offer the highest level of accountability for local governments. The actions of the City of Rio Dell City Council and Planning Commission are in complete compliance with the requirements set forth in the Brown Act. The City has legal counsel, a full time City Manager, City Clerk, and a contract City planner that understands open meeting laws and advises both the Council and the Planning Commission on proper noticing and procedures. The Rio Dell Planning Commission meets at least monthly on the third Wednesday of every month.

City Council meetings are bi-monthly and are held on the second and fourth Tuesdays of the month. The meetings are held at the Rio Dell City Hall located at 675 Wildwood Avenue in Rio Dell. All public notices for meetings and public hearings are published in the Beacon paper and posted in town. The City holds open meetings and City staff is accessible via phone, internet and fax from 9:00 AM to 5:00 PM Monday through Friday, with the exception of holidays. Council agenda material and minutes are available on the City's website at [www.riodellicity.com](http://www.riodellicity.com).

The City also provides a contact list for all departments and City employees on the website. The City of Rio Dell's website contains a comprehensive list of City employee titles and their contact information. The Public Works Department has a full time staff of six (6), including Certified Water and Wastewater Operators and seasonal part time staff members as necessary. The City contracts for planning services with Planwest Partners and engineering services with Winzler & Kelly on an as needed basis.

The City will be able to include Scotia as part of its generally accepted accounting practices and policies regarding the adoption of an annual budget and monthly customer billing statements. The City will retain an outside auditor to provide an annual review of the practices and accounting records maintained by the City's administrative staff.

The City's more than 35 years of experience with annual budget is a strong indicator of their organization's management capabilities. The City's projected first-year budget after annexation is essentially a break-even operation with some one-time costs, and it is projected in the fifth year to be in the black by \$39,400.

Some necessary, but less frequent or more specialized functions will be handled through outside contracts. Preferential hiring for newly created jobs created as the result of annexation will be

extended to persons currently providing similar services for Scotia, LLC, provided that they are willing and able to do the work in their job description.

Improvements are planned for the wastewater facilities, water distribution system, and stormwater drainage system. The City will also maintain and operate Scotia's existing ball fields and parks program, provide road maintenance and street lighting, law enforcement and fire protection (RDFPD) services.

The City is in the best position to avoid duplication of service and achieve economies of scale in the provision of services to customers in both Scotia and Rio Dell. For example, the CSD Financial Assessment report prepared by Scotia, LLC detailed the personnel required to staff the CSD, estimated start-up costs for equipment and projected the monthly cost to rent office space. The estimated cost for seven CSD employees was \$405,000. The City would assume the responsibility for governance in Scotia with only four additional personnel at a cost of \$185,000, \$220,000 (53%) less. Several of the positions suggested for the CSD duplicated existing City positions and add unnecessary cost.

The City has proposed through annexation to add two (2) new Police Officer positions to city staff at the cost of \$52,200 in the first year and \$139,200 in total in the second and subsequent years. As mentioned previously, the Scotia CSD proposal does not anticipate a need for a higher level of municipal law enforcement services for its residents.

Start-up cost for equipment was estimated by Scotia, LLC under the CSD at \$245,000. A number of those vehicles and equipment items already exist in the City fleet. Thus, the City's estimate of start-up costs as the result of annexation is only \$135,000, a saving of \$110,000, or 45%. The rent of office space for the CSD, estimated at \$26,600, is not required for annexation and presents even more savings.

Considering just the savings in personnel and office rents through annexation, the annual cost savings over the forming of a CSD is \$241,600, or approximately \$300 per capita.

In total, the estimated annual cost savings for personnel, office space and equipment expense in the first few years is 43% less under the City's proposal than the CSD plan.

The TOS Consulting Engineer, SHN, offered an update to the CSD Financial Analysis on July 6, 2010, proposing to reduce the cost for CSD start-up tools, equipment and monthly office space by donations from the developer/TOS. This proposal would make their costs more competitive with the City's proposal. Assuming that the TOS interest is purely for the future residents and businesses in Scotia, the City has reason to believe that the same offer would be made under annexation since it would be to the benefit of the same Scotia residents and businesses. It is a good offer that would further reduce the cost of extending public services to Scotia residents.

- Upon annexation to the City of Rio Dell, several government financing options are available, if needed, to facilitate financing of the planned infrastructure improvements for the town of Scotia as identified in this MSR.

- Upon annexation, and if required at some time in the future, a revenue-backed long-term bond may be available through the creation of a Mello-Roos District. This type of bond financing requires a two thirds majority approval by the homeowners of Scotia and is also subject to a protest hearing by the Rio Dell City Council.
- The City has the authority to issue bonds under the 1911/1913/1915 Assessment Act, which also requires voter approval.
- There would be no initial period for the City to establish creditworthiness as would be required with a CSD. The City may apply to the California Economic Infrastructure Bank or the USDA for long-term grant/loan financing.
- The City can also issue bonds backed by user fees assessed to each homeowner. Given the efficiencies offered through annexation, the monthly rate associated with bond financing would very likely be less than with a CSD.
- The City can apply to the State's Small Community Wastewater Grant program for wastewater project grant financing or the State Revolving Loan Fund Program.

Under the annexation these additional benefits would be available:

- The City of Rio Dell is eligible to apply to the State for Community Development Block Grant funding for infrastructure improvements and system connections, not available to CSD's unless they can convince the County to fund a project for them over the numerous other needs within the County.
- The City has a proven track record of successfully obtaining funding from USDA for infrastructure grant/loan financing.
- The City also has a proven track record of successfully obtaining funding from the State Water Resources Control Board, through either the State Revolving Loan Fund Program or the Small Communities Grant program, should it become available again.
- With Annexation there would be no management deficiencies relative to coordination or oversight of these services as compared to a CSD.

#### **Additional Justification for Annexation, compared to new CSD formation.**

Annexation is less expensive for the residents than formation of the CSD. The City will add only four (4) of the seven (7) full-time positions that the CSD proposed, for a personnel savings of \$220,250 per year. Adding in \$50,000 for the estimated cost of accounting support that the CSD will require, available at the City for no additional cost, and adding in the cost for additional police service, the annual cost savings as the result of annexation will range from \$178,850 to \$246,150, depending on attrition of TOS staff<sup>xiii</sup>.

Cities are granted greater powers by the State of California, compared to CSDs, to carry out CPUC regulated functions and services. Services most efficiently delivered by the City include law enforcement, wastewater collection and treatment, water supply, storm drainage, street lighting, parks, recreation, open space, street maintenance, and landscape maintenance within public rights-of-way.

The City is governed by an elected City Council, which is more efficient, meets more frequently, and has broader authority than a CSD Board of Directors. The City Council already has established policies for operations and delivery of services and already has a City Manager form of government, eliminating the time and expense of recruiting and appointing a general manager. There is also the chore of starting a service district from scratch; policies, procedures, personnel rules, salary and benefit schedules, payroll procedures, everything—it takes time!

The CSD would have to establish an alternate depository pursuant to the CSD Law and appoint a CSD treasurer to serve in the place of the County Treasurer. A Scotia CSD Board of Directors would be required to oversee a duplicate staff and separate management of infrastructure for the provision of services, compared to a single system with annexation.

The Rio Dell City Council is already seated and functioning. Under a CSD, there would be an initial election of board members after CSD formation, held by Humboldt County generally pursuant to the Uniform District Election Law. The procedures for the election of the initial board are put in place as a part of formation of the CSD itself. This would be delayed until a regular general election, or scheduled as a special election at substantial additional cost. The formation of the CSD will likely delay getting TOS properties into the real estate market for months.

**6. Any other matter related to effective or efficient service delivery, as required by commission policy.**

In conducting a Municipal Service Review, the commission shall comprehensively review all of the agencies that provide the identified service or services within the designated geographic area. The commission shall conduct a service review before, or in conjunction with, but no later than the time it is considering an action to establish a sphere of influence in accordance with Section 56425 or Section 56426.5 or to update a sphere of influence pursuant to Section 56425.

The City of Rio Dell is currently updating its General Plan, which will guide development within the City through the year 2030. The proposed general plan includes the following changes:

- Sphere of Influence Expansion and Annexation of the Town of Scotia;
- Pre-zone annexation areas with City zoning districts;
- Amendments to the General Plan land use and zoning maps;
- Amendments to the General Plan and Zoning Ordinance text;

Overall, current management of the City of Rio Dell is consistent with the needs of the Scotia community. The City will provide additional full-time administrative staff to operate at maximum efficiency at the time of annexation and in the future.

The City has carefully reviewed the public services and utilities currently provided by the TOS and is confident these services can be delivered more efficiently and for a lower cost to the residents by the City of Rio Dell. The current level of services provided to Scotia can be characterized as "comparable to other similarly sized, local municipally incorporated communities." The level of maintenance to residential, commercial, industrial, and recreational facilities has been sustained over many years,

since the town was constructed. As with any infrastructure system, there will be ongoing maintenance and upgrades needed to continue the level of service desired by area residents and required regulatory agencies. The City of Rio Dell will be responsible for ensuring that these services are continuously provided in compliance with applicable County and State regulations.

Social and economic interdependence between the TOS and the ongoing timber production operations of Humboldt Redwood Company (HRC) will continue. Although the role of HRC will change from owner to significant property owner, the City hopes that HRC's commitment to the town's future will continue during the annexation transition period, as well into the future as the major employer in the area. Scotia's relationship with the City of Rio Dell will be significantly enhanced as a unified community where families and friends live and work. A cooperation and camaraderie will build for all activities, ranging from fire protection to bocce ball. The drawing together of the communities is also hoped to have a positive effect on the commercial businesses in Scotia.

The surrounding timber land will continue to be managed for harvest and will be among the sources of timber for production at the Humboldt Redwood Company (HRC) mill. Scotia is essentially built-out. Very little growth is feasible due to limited available space, lot sizes, and the scarcity of vacant lots. In addition, there are physical restraints to development outside of the proposed boundaries.

With Annexation, services will be provided by the City of Rio Dell, the closest community to Scotia. As part of the City of Rio Dell, Scotia will receive an even greater level of service than is currently available to them, including municipal law enforcement, local determination as to building and planning issues, and local self-governance from the City Council on which residents may serve.

It needs to be stated that the City of Rio Dell is not aware of any inventory or assessment in the community of Scotia that identifies any spoils site or potentially contaminated sites or buildings, or asbestos issues of any kind. Prior to annexation, it will be appropriate that such information be freely shared between the parties. The City will assist Scotia LLC with site assessments and clean-up grants as appropriate.

## **SPHERE OF INFLUENCE (SOI) STATUS**

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A "Sphere of Influence" is defined as a "plan for the probable physical boundaries and service area of a local government agency as determined by the Commission," such as a city (California Government Code Sections 56076 and 56425).

Once in the City SOI and boundary, the City General Plan and Zoning amendments would make land use designations consistent with the actual uses that have occurred in the Town of Scotia for the last 100 years. No new uses are proposed for the Town of Scotia or adjacent areas. Any future changes to the land use designations will be processed through the City Planning Department, which is able to process entitlements much quicker and more efficiently than the County.

The present land uses within the Town of Scotia include industrial/ timber production, commercial, residential, and public facilities (such as, parks, ball fields, and landscaped open space). Proposed City General Plan and Zoning amendments will essentially bring the City General Plan and Zoning designations in compliance with what already exists on the ground. Scotia is essentially "built out."

No new uses are proposed within the boundaries of the annexation area or industrial areas operated by HRC.

Any future changes to the land use designations in Scotia would require additional City General Plan and Zoning amendments. The proposed City boundary is surrounded on the south, east, and west by HRC timberland, and on the north by the City of Rio Dell (separated by the Eel River). Under the CSD application, General Plan and Zoning designations were applied to the community by the County of Humboldt, assuming no annexation. The City followed that process and agreed with the County designations. Therefore, most of the preparatory work on zoning and the general plan has already been accomplished, thus expediting these tasks to conclusion by the City in a few months, not years.

Furthermore, the City prepared and filed with the State of California (State Clearing House #2006082038) in January 2007 a Draft EIR Report <sup>xiv</sup> for the annexation of Scotia. That document is currently being updated and will be available for public comment in the very near future. There is no need to start from scratch.

The proposed plan to subdivide the Town of Scotia in order to sell the residential, commercial and industrial lots and buildings is within the authority of the City of Rio Dell to approve. The subdivision requires a General Plan amendment and rezoning classifications, along with transfer of some of the public utilities and services to other entities, most of which are currently provided by Town of Scotia, LLC. All these actions can be, and will be, most effectively and efficiently implemented by the City of Rio Dell.

## **CONCLUSION**

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**IN CONCLUSION**, Scotia's need for governance is available from the City immediately since it adjoins the City's boundary line. It is a full service City that is ready, willing and able to provide services. The idea of creating a CSD in these times right on the boundary of Rio Dell should be rejected by LAFCO as contrary to its mandate under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 and further consolidations of law. What Scotia, LLC needs in order to file their Final Map and begin property sales is annexation to the City of Rio Dell. The parent company, Marathon Asset Management LP, stands to make many tens of millions of dollars on the piece meal sale of 335 fully developed Scotia properties. But first, it should take care of the community it leaves behind. It should first invest fully in the infrastructure that its development requires so as not to burden those families of modest incomes that seek to live there. For they will surely suffer economically, maybe fail, if the developer is not held to the standard that we always expect from property investors and developers.

Adding Scotia, its immediate neighbor for over 100 years, to the City of Rio Dell meets all of the major goals of LAFCo as set forth in statutory authority as follows:

- Promotes orderly development through consolidated services and governance.
- The City of Rio Dell is the only agency that can best provide for the full range of municipal services.

- The cost of the governmental structure, including personnel, office space and equipment is estimated to be 43% less than the proposed CSD, and user fees for sewer services are roughly 50% less for Scotia residents under a regional collaboration.
- The extension of public services to an adjoining neighborhood is most efficiently provided by a City that is ready, willing and able to provide those services.
- The community of Scotia and the City of Rio Dell share regional service issues that can be best planned for, funded and implemented through collaboration, not the proliferation of separate agencies.
- The provision of housing for people of all incomes can happen most dramatically by a City that understands and uses resources such as the CDBG First Time Home Buyers Program, which is not available to Special District forms of government.
- And last, responsibility should be given by LAFCo to the Agency that can best provide governmental service. There can be no doubt that the City of Rio Dell is that agency. And, it is ready now to lend Scotia a hand in establishing for the first time the opportunity to express its unique presence, preserve its company town character and heritage and participate in its local affairs.

#### **Possible Changes in Governmental Structure**

And last, the Rio Dell City Council is willing to explore the feasibility of restructuring the new City Council after annexation to include three (3) district representatives and two (2) at large members, with one (1) of the districts to encompass the present community of Scotia. This would ensure that the Scotia community has elected representation on the City Council after annexation. In addition, the Council would explore changing the name of Rio Dell to Rio Dell/Scotia to maintain the heritage and identity of the Scotia community.

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