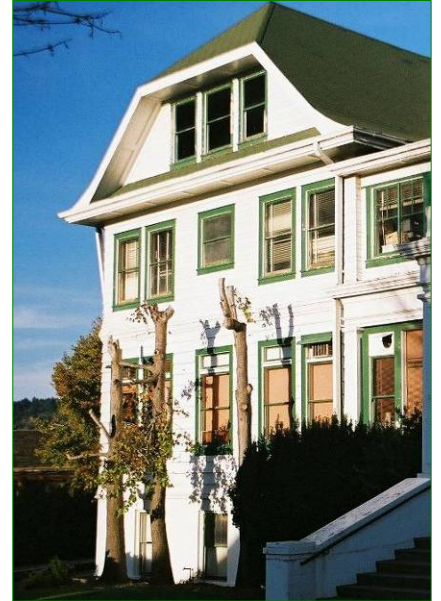


# SCOTIA SUBDIVISION AND COMMUNITY SERVICES DISTRICT

*Town of Scotia, LLC (TOS) has submitted a tentative map with Humboldt County to subdivide the existing, privately-owned town of Scotia and filed an application for the formation of a Community Services District (CSD). The tentative map and the related approvals, including the General Plan amendment, rezoning, and Final Programmatic Environmental Impact Report (PEIR) were **approved by the Humboldt County Board of Supervisors** on November 10, 2009.*

The Humboldt County Local Agency Formation Commission (LAFCo) reviews proposals for the formation of new local governmental agencies and changes of organization for all local agencies within Humboldt County. A Municipal Service Review (MSR) was prepared to document service capabilities for the proposed CSD.

Very little development is feasible within the proposed boundaries due to limited available vacant land, small lot sizes that cannot support additions, and physical constraints. Current industrial uses are expected to remain the same. TOS currently provides the majority of public services and utilities for the town of Scotia. There are no new proposed facilities or services. **The only change is the service provider, from TOS to the proposed Scotia CSD.** As part of the transfer of services and utilities to a new CSD, repairs to existing infrastructure will be implemented. These are summarized in Table 1 (last page of this brochure).



The range of services to be provided by the CSD includes **water, wastewater, road maintenance and street lighting, stormwater drainage, parks and recreation, and fire protection.** A financial analysis of expected revenues and expenditures was prepared in order to evaluate the CSD's ability to be self-sufficient over the long term.

The financial analysis lays out a **financially conservative plan** analyzing the CSD's forecasted revenues and expenses. Operation of the CSD would be funded through a mix of property tax allocation (negotiated with Humboldt County) and user fees. Expenses would include personnel services, material and services, capital expenditures, and debt service. The capital improvement plan described above would be funded through a combination of short-term and long-term bonds. The expected tax revenue, user fees, and expenses were compared to those of other similar districts and cities providing comparable services.



Tax revenues were estimated at 15% of the property taxes collected by the County in Scotia, representative of a CSD with the wide range of services that would be provided by the Scotia CSD. The final percentage will depend on negotiations with the County.

- User fees for all services were estimated at \$190/month by Year Five of the CSD's operation. Although it is difficult to find a suitable point of comparison for the entire user fees, due to the wider range of services than is typically provided by CSDs, the portion represented by water and wastewater services, estimated at \$142 for the combined rates, is comparable to that found in similar districts and cities reviewed (range of \$108 to \$137, with an average of \$118), and **falls within the range considered affordable in U.S. EPA guidance** for these services (range of \$113 to \$150).
- An initial budget primarily related to Operations and Maintenance (O&M) was prepared for each service area and a combined budget for overall operation of the CSD was projected over a five-year period to include the expected schedule of capital improvement projects. The CSD's projected operating budget will consist of approximately \$600,000 in annual costs for personnel services and \$324,000 for materials and services.
- The short-term bonds will be financed entirely by the current owner, TOS. Debt service for the long-term bonds would represent \$63/month by Year Five of the CSD's operation. This is comparable to the bond levies assessed under the Mello-Roos Community Facilities Act of 1978, which enables cities, counties, special districts, and school districts to establish community facilities districts and to levy special taxes to fund a wide variety of facilities and services.

The overall operating budget relative to services provided, including revenues and expenditures, is consistent with local area agencies and experienced operating costs of the community.

**The financial analysis took the most fiscally conservative approach and represents a "worst case" scenario.** Although the CSD, as a public entity, would have access to sources of funding (such as, grants and low-interest loans from federal and state agencies), it would be speculative to assign a dollar value at this stage. Similarly, "pooled" bonds (Pooled Transaction Certificates of Participation) funding multi-agency projects offer more advantageous rates. This funding may be obtained through entities like the California Special Districts Association (CSDA) Finance Corporation as outlined in the financial analysis and obtaining them is not considered speculative, as it can be issued with certainty. While in practical application bonds as opposed to grants/loans are considered a fallback position, they were used as the primary option in our analysis to account for the **maximum anticipated user fees.**

Cost-avoidance, shared facilities, and management efficiencies opportunities are identified in this MSR, most prominently those realized by integrating the Scotia Volunteer Fire District (SVFD) into the CSD structure, followed by opportunities for joint planning and purchases with other local agencies. Local governance and accountability review indicates that the CSD will have the ability to make information available to the public and comply with the Brown Act. **The CSD's proposed government will be simple and closely resemble that of other similar agencies in the County.** A "status quo" sphere of influence is sustainable and appropriate for the Scotia CSD.

### The Rio Dell Annexation Alternative

An alternative to formation of a CSD is annexation of Scotia into the City of Rio Dell, located across the Eel River to the north. This alternative was carefully evaluated along with the primary alternative, and while technically feasible, proved to be impractical. However, **the CSD formation alternative appears simpler and more financially advantageous, and offers less potential for significant environmental impacts.** The PEIR found the CSD Formation to be "environmentally superior."





## FREQUENTLY ASKED QUESTIONS

### Why wasn't annexation to Rio Dell considered?

In fact, it was carefully considered. Annexation was the object of extensive studies from November 2005 to July 2007. Then-owner PALCO spent over \$1 million in studies for annexation, two-thirds of which went to studies by Rio Dell's experts. In the end the negotiations resulted in an impasse because Rio Dell's conditions included replacing almost the entire Scotia infrastructure (wastewater collection, treatment, and disposal, water supply, storage, treatment, and distribution, stormwater drainage, roads, etc.), treating Scotia like a brand-new proposed development. This was unprecedented, unnecessary, prohibitively expensive, and would have saddled the future Scotia homeowners with heavy tax and fee rates.



*Typical Scotia street view.*

### How can you have a CSD next to a city?

In fact, it's not uncommon. We already have examples of this in Humboldt County, including the City of Arcata next to the McKinleyville CSD (separated by the Mad River), and the City of Eureka next to Humboldt CSD (Myrtle town, Cutten and Elk River are part of the CSD though directly adjacent to the City). Small, successful service districts abound throughout the County where independent communities maintain their special character while continuing to be served by expert professional services from the County for Building and Planning, Law Enforcement, etc.



*Humboldt CSD and City of Eureka.*

### Isn't Scotia's infrastructure in bad shape?

In fact, the bulk of Scotia infrastructure updates needed is represented by the need to move the water, sewer, and storm drain lines to what will become the public right-of-way. At the time of its construction a century ago, Scotia's sewer and water lines were simply laid along the shortest route, which often meant under houses and yards. Installing new lines will also allow modernization and abandoning older, smaller, and well-worn lines, as well as the installation of new meters to measure services.

Additional upgrades will improve the wastewater treatment plant's efficiency, modern electronic controls will be installed in both the water and wastewater treatment plant (and, in the case of the wastewater treatment plant, moved out of the flood zone), and raw and treated water tanks will receive seismic retrofits. LAFCo's own consultant has reviewed the engineering analysis supporting the Scotia capital improvement plan and pronounced it sound.

What do we mean when we say the infrastructure is in good shape?

The facilities are well maintained:



*Scotia water treatment facility.*

And they rely on proven, low-maintenance technology:



*Scotia trickling filter at the wastewater treatment facility.*





Scotia wastewater treatment pond.

The main concern is associated with the street utilities layout and condition:



Example of sewer lines located in inaccessible locations.

The relocation of the water, sewer, and storm drain lines will also address obsolete pipes like this one:



Damaged vitrified clay pipe sewer line.

The new CSD would take over water, wastewater, storm drain, fire protection, and parks and recreation services, as well as maintain all streets not maintained by Humboldt County.

Scotia consistently receives a very good fire insurance rating. The SVFD responds to about 45 calls for service per year, and 80% of these are medically related. The SVFD would become part of the CSD and would get new equipment as part of the Capital Improvement Plan.

Police services are and would continue to be provided by the Humboldt County Sheriff's Department. Last year, the Sheriff's Department responded to eight calls in Scotia.

## Can Rio Dell provide all the services?

Some of the services in Scotia are quite different from those in Rio Dell. The most prominent example is fire protection: the Scotia Volunteer Fire Department (SVFD) is trained to handle not only residential fires but also industrial emergencies. Its level of training and resources is reflected in Scotia's excellent fire insurance rating. By comparison, Rio Dell does not include the kind of industrial facilities found in Scotia. Moreover, annexation would require merging the SVFD with the Rio Dell Fire Protection District (RDFPD) as a separate action. On the other hand, in the CSD formation option, the SVFD would become part of the CSD and the position of fire chief would be funded by the CSD.

In addition, there are serious questions as to whether Rio Dell can in fact provide services to Scotia at this time. The city is financially constrained, rate increases have already been announced, and the current plans for a new wastewater treatment facility do not take annexation of Scotia into account. In the 2005-2007 annexation discussions, it became clear that Rio Dell's demand -- for complete replacement of the Scotia water and wastewater treatment facilities with new ones that would handle the combined demands of both communities -- was largely seen by Rio Dell City Managers as an opportunity for the city to replace its own aging infrastructure at Scotia's expense.

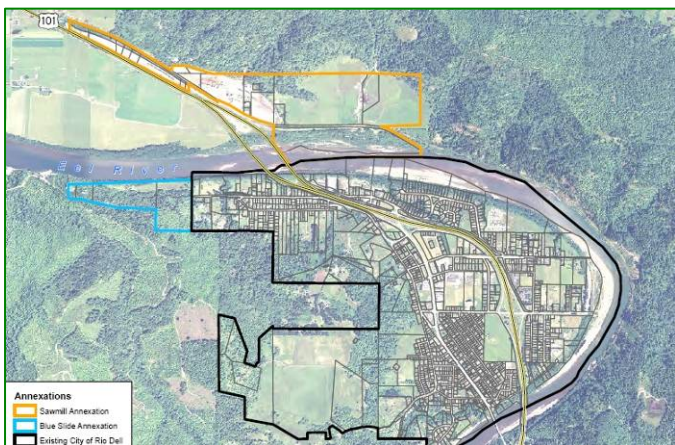
## How could annexation into Rio Dell change Scotia?

Rio Dell has no experience with industry or manufacturing. It has never dealt with providing utilities like industrial raw water, waste treatment, or steam. Scotia has. In fact, Scotia's core strength has always been its industry.

Rio Dell recently annexed the Metropolitan area north of the Eel River at the old Eel River Sawmill site. Rio Dell had planned to make it an industrial center. Local landowners strongly resisted annexation, but Rio Dell went ahead anyway. As of now there is no substantial new investment or business in this industrial center-- which was the whole reason to force that annexation. Rio Dell recently annexed part of Blue Slide Road. Now the city is in litigation over the annexed area brought by one of the affected landowners.

Rio Dell has never preserved or protected any of its historical architecture or resources. It's difficult to imagine Scotia's historic Inn, the Museum or Winema Theatre under the control of the City of Rio Dell.





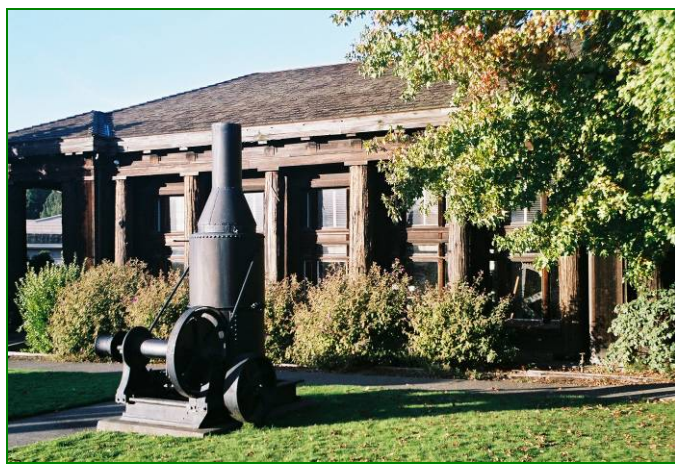
*Recent Rio Dell annexation zones for its new wastewater treatment facility. (Yellow and Blue) These recent annexation efforts by Rio Dell have gone very badly, resulting in disputes and litigation by affected Landowners.*

Right now, Rio Dell's infrastructure is at the end of its design life and the City is not in a position to take on more, as it struggles to address its existing needs. The only way Rio Dell could provide most services to Scotia would be for it to seize or exact TOS' private assets, property and facilities, a scenario for which the City has no funds and little prospect.

This kind of "hostile takeover" threatens the very continuity of the Scotia Community. Rio Dell is an "incorporated" City whose managers are charged with the duty to make and save money in its fiscal administration. Rio Dell's own staff reports supporting annexation make very clear the way the City will approach the business of governing Scotia.

Rio Dell plans to eliminate Scotia's paid fire chiefs, reduce the number of Scotia Fire Department volunteers and limit Department services like neighborhood security and emergency medical attention.

Rio Dell plans to charge user fees for access to Scotia Parks and Recreation facilities. Rio Dell plans to charge households benefitted by "extra" streetlights based on proximity to their illumination.



*Scotia Museum.*

And to save money Rio Dell plans to do all this with its own staff, eliminating the local facility operators and Scotia service crews we all know, and who would continue to provide the same high quality of services with CSD formation as paid Scotia CSD personnel.

A Rio Dell annexation "takeover," and the resulting disagreements and litigation, could also delay significantly the time at which homes would become available for purchase by Scotia residents. It would certainly delay the pending infrastructure upgrades planned throughout Scotia.

And Annexation could well sidetrack or scare away potential investors in Scotia's industrial facilities. The very uncertainty of how Rio Dell will try to run Scotia could dissuade new business investment and will inevitably change the nature of our community.



*Winema Theater, Scotia.*

### **Can a CSD preserve what's best about the Scotia community?**

As planned, the Scotia CSD will operate a much improved, modernized and fully capable suite of services dedicated to the people and Town of Scotia, including local historic treasures and public facilities like Scotia's Winema Theater, the Scotia Museum, Fireman's Park, and the Scotia Ballpark and Soccer Fields.

The CSD as proposed is essentially the status quo, with one big difference: Self-Determination. The locally elected Board of the Scotia CSD will be able to make policy and manage Scotia's assets and infrastructure for the best interest of the people of Scotia. The Scotia CSD will not be required to make or save \$ for the Rio Dell administrative staff, or to defray the costs of Rio Dell's upgrades to its own aging infrastructure.

**Table 1  
Summary of Infrastructure Changes  
Scotia Subdivision and CSD Formation**

| <b>Utilities and Services</b>                      | <b>Changes</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Wastewater collection, treatment, and disposal     | <p>Responsibility for wastewater collection, treatment, and disposal services will be transferred to the Scotia CSD. The wastewater collection system will be improved through relocation of the residential/commercial lines to the new Scotia CSD public right-of-way with new, larger pipes; replacement of all service laterals; installation of new service cleanouts; and installation of new manholes and cleanouts in residential and commercial areas.</p> <p>The wastewater treatment facility will be improved through relocation of the electrical controls outside flood elevation; installation of new drives on the primary clarifier, deep well pumps, shallow well pumps, and secondary clarifier; leveling the primary weir; replacing the shallow well pumps; addition of a solids contact basin or small activated sludge basin, and an additional secondary clarifier; and installation of return activated sludge pumps and blowers.</p> |
| Water supply, storage, treatment, and distribution | <p>Responsibility for water supply, storage, and treatment services will be transferred to the Scotia CSD. TOS will transfer the water right license to the Scotia CSD. The water distribution service will be improved through relocation of distribution lines to the public right-of-way, installation of all new services and meters from the new distribution lines to residential, commercial, and industrial users.</p> <p>Raw and treated water storage tank foundations will be modified to meet current seismic codes and standards. The water treatment facility will be improved through installation of two 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 be replaced.</p>                                                                                                                                          |
| Drainage and flood control                         | <p>Responsibility for drainage and flood control services will be transferred to the Scotia CSD. The stormwater drainage system will be improved through replacement of immediately needed portions, and installation of new and replacement drain inlets and manholes in the residential and commercial areas.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Circulation                                        | <p>The road and street network will be improved through repairs that will include a 2.5 in. overlay of asphalt concrete pavement throughout streets affected by the utility upgrade program; 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.</p> <p>The County will continue to be responsible for maintaining B Street, Church Street, Eddy Street, Main Street, Mill Street, 1<sup>st</sup> Street, 2<sup>nd</sup> Street, 3<sup>rd</sup> Street, 4<sup>th</sup> Street, 5<sup>th</sup> Street, and 6<sup>th</sup> Street. The CSD will take over Bridge Street, North Court, and Williams Street, and will be responsible for all other streets and alleys.</p>                                                                                                                            |
| Fire protection                                    | <p>The Scotia Volunteer Fire Department will be organized as part of the CSD. As part of a separate maintenance project, the fire suppression water tanks will be replaced. The fire apparatus and the personal gear will be upgraded.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Power                                              | <p>PG&amp;E will incorporate existing power supply and distribution systems into its regional operation. TOS will continue to operate the cogeneration plant and sell the power to PG&amp;E.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Parks and recreation                               | <p>Responsibility for parks and recreation services will be transferred to the Scotia CSD. The Scotia Union School District will continue to operate the recreation center.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Law enforcement                                    | <p>No change. Law enforcement services will continue to be provided by the Humboldt County Sheriff.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Telecommunications                                 | <p>No change. Telecommunications will continue to be available from private providers AT&amp;T and Suddenlink.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Natural gas                                        | <p>No change. Natural gas will continue to be available from private provider PG&amp;E.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Cable                                              | <p>No change. Cable services will continue to be available from private providers AT&amp;T and Suddenlink.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Solid waste collection and disposal                | <p>No change. Solid waste services will continue to be available from private provider Eel River Disposal &amp; Resource Recovery.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |