

EXHIBIT “A”

2013

MUNICIPAL

SERVICE REVIEW

FOR THE

TUOLUMNE CITY

SANITARY DISTRICT

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MUNICIPAL SERVICE REVIEW FOR TUOLUMNE CITY SANITARY DISTRICT

1.0 INTRODUCTION

1.1 LAFCO's Responsibilities, Spheres of Influence and Municipal Service Reviews

This Municipal Service Review (MSR) has been prepared for the Tuolumne County Local Agency Formation Commission (Tuolumne County LAFCO). Local Agency Formation Commissions are quasi-legislative local agencies created in 1963 to assist the State in encouraging the orderly development and formation of local agencies. A Local Agency Formation Commission is established in each County in the State.

This MSR consists of a review of sewer services as provided by the Tuolumne City Sanitary District (TCSD). The MSR will be considered by the LAFCO in a subsequent review of the Sphere of Influence of the TCSD.

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code §56000 et seq.) is the statutory authority for the preparation of an MSR, and periodic updates of the Sphere of Influence of each local agency.

A Sphere of Influence is a plan for the probable physical boundaries and service area of a local agency, as determined by the affected Local Agency Formation Commission (Government Code §56076). Government Code §56425(f) requires that each Sphere of Influence be updated not less than every five years, and §56430 provides that a Municipal Service Review shall be conducted in advance of the Sphere of Influence update.

The statute and regulations call for a review of the municipal services provided in the county or other appropriate area designated by the LAFCO. The LAFCO is required, as part of the MSR, to prepare a written statement of findings of its determinations with respect to each of the following:

1. Infrastructure needs or deficiencies;
2. Growth and population projections for the affected area;
3. Financing constraints and opportunities;
4. Cost avoidance opportunities;
5. Opportunities for rate restructuring;
6. Opportunities for shared facilities;
7. Government structure options, including advantages and disadvantages of consolidation or reorganization of service providers;
8. Evaluation of management efficiencies;
9. Local accountability and governance;
10. The location and characteristics of any disadvantaged unincorporated community within or contiguous to the sphere of influence; and

11. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies related to sewers, municipal water and fire protection in any disadvantaged unincorporated communities within or contiguous to the sphere of influence.

The Municipal Service Review precedes LAFCO action on a Sphere of Influence. Given the close relationship between an MSR and Sphere of Influence creation, amendment or update, the Sphere of Influence is discussed in more detail below.

1.2 Sphere of Influence

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires the LAFCO to update the Spheres of Influence for all applicable jurisdictions in the County.

Local governmental agencies, special districts and municipalities must have an adopted Sphere of Influence (SOI) boundary and territory that define the probable future boundary and service area of the agency. Inclusion of a particular area within an agency's SOI does not necessarily mean that the area will eventually be annexed. The Sphere of Influence is only one of several factors LAFCO must consider in reviewing individual proposals, such as an application for an annexation to a district. (California Government Code Section 56668).

In determining the Sphere of Influence for each local agency, LAFCO must consider and prepare a written statement of determinations with respect to each of the following:

1. The present and planned land uses in the area, including agricultural and open space lands;
2. The present and probable need for public facilities and services in the area;
3. The present capacity of public facilities and adequacy of public services which the agency provides, or is authorized to provide; and
4. The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.

1.3 LAFCO Policies and Procedures Related to Municipal Services

The Tuolumne County LAFCO adopted policies related to Municipal (urban) services on November 26, 2001.

1.4 Description of Public Participation Process

Tuolumne County LAFCO is a legislative body authorized by the California Legislature and delegated powers as stated in the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. The LAFCO proceedings are subject to the provisions of California's open meeting law, the Ralph M. Brown Act (Government Code Sections 54950 et seq.) The Brown Act requires advance posting of meeting agendas and contains various other provisions designed to ensure that the public has adequate access to information regarding the proceedings of public boards and commissions. Tuolumne County LAFCO complies with the requirements of the Brown Act.

Each municipal service review will be prepared as a draft, and will be subject to public and agency comment prior to final consideration by the Tuolumne County LAFCO. The contents of this review are based primarily upon the information provided in the "Request for Information for Municipal

Service Reviews” completed for the Tuolumne City Sanitary District by its Plant Manager Michelle Brick.

1.5 California Environmental Quality Act (CEQA)

The Municipal Service Review is a planning study that is statutorily exempt from environmental review pursuant to Section 15262 of the *State CEQA Guidelines*. The Municipal Service Review will be considered by LAFCO in connection with subsequent proceedings regarding the TCSD Sphere of Influence. The Sphere of Influence review or update that would follow is a project and as such, may be subject to CEQA consideration.

2.0 SERVICE AREA SETTING

2.1 Location

The District is located in and around the community of Tuolumne City, approximately 8.0 miles southeast of Sonora on Tuolumne Road in Tuolumne County, California. The treatment plant is located on Assessor's Parcel Numbers 62-630-05 and 62-020-13 with a combined area of 6.0± acres. The service area within existing boundaries is approximately 766± acres with a potential service area of 4,152± acres within the Sphere of Influence. The District is located within the drainage of Turnback Creek, which is tributary to the Tuolumne River before flowing into Don Pedro Reservoir. The District is primarily centered around Tuolumne City providing wastewater collection and treatment service for 1.2± square miles in the District. There are 6.5± square miles inside its Sphere of Influence. The service area is a mostly urban setting surrounded by rugged hills. The average elevation is 2,580 feet and the climate is the typical Mediterranean cycle of cool, wet winters and hot, dry summers. Average rainfall is 33 inches per year primarily falling between the months of October and April. The average monthly nighttime low and daytime high temperatures range from 59° F to 95° F in July and 33° F to 55° F in January. Light snowfall (~4 inches/year) can be expected between December and April.

2.2 General Background

The Tuolumne City Sanitary District (TCSD) was established by order of the Tuolumne County Board of Supervisors on July 15, 1941 under authority of the 1923 Sanitary District Act. It currently operates pursuant to Sections 6400-6830 of the Health and Safety Code. The current Board of directors are: John Feriani (Chair), Charles Conn (Vice-chair), William Waters, and Melissa Lingo. One board position is currently vacant. The District has expanded the service area and treatment facilities since inception by using a combination of revenue sources.

The Sphere of Influence supports the Low Density Residential (LDR), High Density Residential (HDR), Estate Residential (ER), Rural Residential (RR), Large Lot Residential (LR), Agricultural (AG), Open Space (O), Parks and Recreation (R/P), Mixed Use (MU), Public (P), General Commercial (GC), and Neighborhood Commercial (NC) General Plan Land Use designations based upon the Tuolumne County General Plan. The TCSD encompasses a wide variety of residential, commercial, and recreational land uses.

Future development will be based around designated land uses and the ability of the TCSD to provide wastewater treatment services to meet the development requirements of the County of Tuolumne.

The customers within the TCSD are tracked by the number of sewer connections. The TCSD collects wastewater from approximately 900 residential and commercial connections, and one

connection serving the Black Oak Casino, which has an equivalent of 700± connections. Federal Census data from 2010 estimates the population in the district area to be approximately 1,865. An estimation of 2010 U.S. Census tracts reveals that approximately 4,456 residents are within the SOI of the TCSD. The majority of individuals who reside in the Tuolumne City area are year round residents; however, there are population fluctuations based upon seasonal uses and guest volumes at community events and at the Black Oak Casino. The average annual wastewater flow through TCSD is currently 160,000 gallons per day (GPD) with peak flows in excess of 1,000,000 GPD.

2.3 Review of Current Management Structure

The TCSD is governed by a five member Board of Directors and staffed by four full time employees: a Plant Manager, District Secretary and two Operators. At the top of the TCSD Organizational Chart are the five members of the elected Board of Directors. Directly below the Board, is Chief Plant Operator, Michelle Brick who is responsible for oversight of the wastewater system and reports to the Board. Reporting to the Plant Manager are: Lonnie Johnstone (Grade II Plant Operator) and Adam Artzer (Operator In Training/Collection System Tech). Also reporting to the Board are Brenda Bonillo, District Secretary and Chad Coleman, District Engineer.

The TCSD is empowered to acquire, plan, construct, maintain, improve, operate, and keep in repair the necessary facilities for transmission and treatment of wastewater in the service area. TCSD strives to provide service to locations that need it.

3.0 EXISTING MUNICIPAL SERVICES AND PROVIDERS

The TCSD provides wastewater collection, treatment, and disposal for the unincorporated Tuolumne City area. Other service providers/districts encompassing the Tuolumne City area include:

- County of Tuolumne
- Tuolumne Utilities District (water or sewer)
- Tuolumne County Resource Conservation District
- Countywide Ambulance District (CSA 21)
- Tuolumne Fire District
- Carters Cemetery District
- Tuolumne Lighting District
- Tuolumne Parks and Recreation District

The TCSD has a significant degree of interdependence with the surrounding area due to planned development in the area and lack of comparable services for the region. Development in the area has been influenced by the construction of the Black Oak Casino owned by the Tuolumne Band of Me-Wuk Indians (Tribe). The Casino opened in May of 2001 and underwent a major expansion in 2005. The Casino has 1,000 slot machines, 24 gaming tables, a 24-lane bowling alley, seven restaurants, a parking structure, mini-mart, gas station with an RV dump station, and recently opened a 148 room hotel with a conference center. A second wing of the hotel, consisting of another 150 rooms, and an 18 hole golf course are planned to be constructed in the future.

The TCSD operates a wastewater collection, treatment, and disposal system for the Tuolumne City area. Wastewater is collected from approximately 68,000 feet of gravity sewer line and treated at the Tuolumne City Wastewater Treatment Plant (WWTP) before being pumped to the Grinding Rock Reservoir for storage and eventual land application. The Plant Manager of TCSD is Michelle Brick who holds the Grade II Plant Operator certification necessary to run the plant. Other

employees include one who holds a Grade II Wastewater certification, and one employee as an Operator In Training/Collection System Technician.

3.1 Wastewater Source

TCSD receives untreated wastewater from Tuolumne City and the Black Oak Casino via a gravity collection system and receives wastewater from the Apple Colony area, at the southern end of the District, via a pump station and 6 inch force main. TCSD treats this wastewater at its treatment plant located on the southwest side of Tuolumne City adjacent to Turnback Creek. Treated effluent is gravity fed 1.5± miles to Grinding Rock Reservoir which is located on the Baker Ranch south of Tuolumne City. Effluent stored in Grinding Rock Reservoir is distributed seasonally on the Baker Ranch for the irrigation of fodder crops and pasture land grazing operations.

3.2 Wastewater Storage

The TCSD stores effluent from its wastewater treatment plant in Grinding Rock Reservoir, which is owned and monitored by TCSD but located on property owned by the Baker family. TCSD provides approximately 160,000 gallons of effluent per day and the Baker family decides, in consultation with TCSD staff, when to irrigate their property or store effluent for future use.

Grinding Rock Dam is a 60± foot high earthen dam with a crest elevation of 2,326 feet above mean sea level, and an approximate capacity of 300 acre-feet. Hydraulic balances show 34± million gallons of storage available in Grinding Rock Reservoir and 71± million gallons of disposal capacity available on the irrigated land of the Baker Ranch. This indicates the disposal capacity of Baker Ranch and the storage capacity of Grinding Rock Reservoir are sufficient for the projected flows through 2053. Water stored in the reservoir is used for summer irrigation of approximately 109 acres of land through the use of gravity pipelines (flooding) and sprinklers.

TCSD updated the treatment plant to accommodate planned residential and commercial developments in 2008 and is currently in the final stages of Phase III improvements at that facility, which are expected to be completed by mid summer 2013. TCSD is one of only 126 recycled water distributors in California and is an excellent example of water reuse.

3.3 Wastewater Facilities

The TCSD collection system and treatment plant are permitted by Waste Discharge Requirements Order No. 95-129. The existing treatment plant for the TCSD is located adjacent to Turnback Creek southwest of Tuolumne City at 18050 Box Factory Road. The treatment plant is a secondary plant with headworks, which include a grit chamber, roto screen, and sampling station, all of which are located on Assessor's Parcel Numbers 62-630-05 and 62-020-13. The treatment process is a Biolac® system which is an Activated Sludge Extended Aeration type system with a Clarifier. Sludge from the Clarifier is currently stored in one of the old Aeration Lagoons. TCSD is currently constructing the final phase improvements of its plant renovation, which includes a Multi Use Building, Disinfection System and Building, Influent Alkalinity System and Building, which is anticipated to be complete in the summer of 2013. A new 10 inch outfall line from the Box Factory Road facilities to the Grinding Rock Reservoir at Baker Ranch was constructed in 2009.

Sludge is periodically removed from the aeration basins. Local contractors transport the dried sludge to the Baker Ranch for composting and land application. Composting and land application of biosolids occurs on the Baker Ranch pursuant to Water Reclamation Requirements Order No. 95-137 and subject to the requirements of Chapter 15, Division 3, Title 23, of the California Code of regulations.

Preliminary treatment of the wastewater is accomplished in the Headworks. The Headworks contains a grit chamber, Roto Screen, bypass channel with hand cleaned bar screen, and the influent Parshall flume. During periods of high flow, the bypass channel is employed to prevent effluent backup and overflow.

From the head works the wastewater is conveyed via a 12 inch cast iron pipe to the new Biolac System. Following biological treatment in the aeration basins and clarifiers, the effluent flows by gravity approximately 1.5 miles through a 10-inch pipe to Grinding Rock Reservoir.

Sludge disposal is one of the most time and labor intensive maintenance issues facing the TCSD. At this time wet sludge will be removed as needed by Synagro, dewatered on site and transported to a Synagro disposal site.

The majority of the existing wastewater collection system was installed in 1951 though a major renovation was performed in 1980 to update critical facilities. The treatment design capacity of the TCSD treatment plant is 0.35± million gallons per day (MGD) with Average Dry Weather Flows (ADWF) for 2011 of approximately 0.15 MGD and Peak Wet Weather Flows (PWWF) in excess of 1.0 MGD. Flows from the Casino are in excess of 30,000 GPD and these flows typically have higher waste concentrations than flows from other areas.

3.4 Wastewater Effluent Disposal

The TCSD has contracted with the Baker family to dispose of the District effluent. TCSD's disposal system involves transmission of effluent to Grinding Rock Reservoir on the Baker Ranch which is stored in the reservoir during the winter and used in the summer months to irrigate 109 acres of land around the reservoir. Flood irrigation is used on 15± acres of land northeast of Grinding Rock Reservoir, and impact sprinklers are used to irrigate the remaining 85± acres.

3.5 Wastewater Regulatory Environment

Currently, two wastewater permits regulate the treatment and discharge of wastewater from the TCSD Wastewater Treatment Plant (WWTP) in addition to regulation under Health and Safety Code Sections 6400-6830. Reclamation and reuse of treated effluent from Grinding Rock Reservoir for the purpose of irrigation of fodder, fiber, seed, and non-dairy pastureland is permitted under the Central Valley Region California Regional Water Quality Control Board (CVRWQCB) Water Reclamation Requirements Order No. 95-137. The CVRWQCB issued Waste Discharge Requirements (WDR's) Order No. 95-129 for the TCSD on May 26, 1995. This order requires monitoring of wastewater, effluent, storage reservoirs, and biosolids.

4.0 ZONING AND LAND USE

The area within the TCSD Sphere of Influence is zoned R-1 (Single-Family Residential), R-2 (Medium Density Residential), R-3 (Multiple-Family Residential), RE-1 (Residential Estate, One-Acre Minimum), RE-2 (Residential Estate, Two-Acre Minimum), RE-3 (Residential Estate, Three-Acre Minimum), RE-5 (Residential Estate, Five-Acre Minimum), AE-37 (Exclusive Agriculture), O (Open Space), O-1 (Open Space-1), MU (Mixed Use), C-K (Commercial Recreation), C-O (Neighborhood Commercial), C-1 (General Commercial), and P (Public).

The Sphere of Influence has the Low Density Residential (LDR), Medium Density Residential (MDR), High Density Residential (HDR), Estate Residential (ER), Rural Residential (RR), Large Lot Residential (LR), Agriculture (AG), Open Space (O), Public (P), Parks and Recreation (R/P), General Commercial (GC), and Mixed Use (MU), primary General Plan Land Use designations pursuant to the Tuolumne County General Plan overlay designation.

The TCSD contains a combination of residential, commercial, and recreational land uses and densities. The area surrounding the TCSD contains sufficient space for urban uses. The TCSD includes enough land zoned for residential uses to satisfy growth trends through the scope of this MSR.

5.0 MUNICIPAL SERVICE REVIEW

The Cortese-Knox-Hertzberg Act identifies eleven factors, listed in Section 1.1 above, to be addressed when preparing a Municipal Service Review. For each factor, information is gathered and analyzed, with written determinations prepared for LAFCO's consideration. This Service Review will be used as an information base to update the TCSD's Sphere of Influence, including any annexation considerations, and provides a basis for the public, County, and LAFCO to discuss changes to the Sphere of Influence.

5.1 Infrastructure Needs and Deficiencies

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

5.1.1 Wastewater Infrastructure Needs and Deficiencies

The TCSD's collection system consists of approximately 55-year old vitrified clay in four foot sections with mortared joints. More modern plastic repair patching and PVC piping has been used during maintenance projects and facility upgrades. The majority of the collection system was designed to last approximately 50 years before needing repair and the District repairs the system as needed. According to the TCSD 2005 Wastewater Facilities Master Plan (WFMP), the District replaces damaged sections of pipe with PVC piping and has concerns regarding the condition of the original collection system. Developmental build-out within the existing sphere of influence will require improvements to the collection system.

The 2005 TCSD WFMP indicates that significant infiltration and inflow occurs during storm events and that portions of the collection system have aged beyond the original system design life. District Staff reported that in the past the treatment facility routinely experienced conditions of hydraulic stress which reduced the effectiveness of the processes designed to treat pollutants prior to land disposal. The TCSD is currently constructing the final phase improvements of its plant renovation, which includes a Multi Use Building, Disinfection System and Building, Influent Alkalinity System and Building, which is anticipated to be complete in the summer of 2013. A new 10 inch outfall line from the Box Factory Road facilities to the Grinding Rock Reservoir at Baker Ranch was constructed in 2009.

TCSD should continue to repair the collection system when funds are available and educate the community about proper wastewater disposal practices. These changes will provide treatment of flows projected through the year 2025 and most of these recommendations are currently being implemented in order to provide service for expansion of the Black Oak Casino.

TCSD personnel hold the necessary licenses and certifications to run a wastewater treatment and disposal facility.

5.1.2 Written Determinations Regarding Infrastructure Needs and Deficiencies:

1. The TCSD operates pursuant to the Sanitary District Act of 1923, Sections 6400-6830 of the Health and Safety Code, and under the Regional Water Quality Control Board

(RWQCB) Waste Discharge Requirement (WDR), No. 95-129, which regulates the disposal of effluent, discharge and waste limitation, pH, public contact, objectionable odors, pond management, and sludge disposal.

2. The wastewater treatment plant has a treatment and disposal capacity of 350,000 GPD, and receives an Average Daily Wastewater Flow (ADWF) of 150,000 GPD with Peak Wastewater Flows in excess of 1,000,000 GPD. The TCSD has increased the capacity and efficiency of the headworks facility by constructing a larger assembly with a screen and grit chamber to enhance downstream processes with a by-pass channel for peak flows.
3. The TCSD is currently constructing the final phase improvements of its plant renovation, which includes a Multi Use Building, Disinfection System and Building, Influent Alkalinity System and Building, which is anticipated to be complete in the summer of 2013. A new 10 inch outfall line from the Box Factory Road facilities to the Grinding Rock Reservoir at Baker Ranch was constructed in 2009.
4. The TCSD wastewater treatment system is capable of serving the 1,500± residential and commercial connections.
5. Since much of the condition of the collection system is unknown and dates to 1951, which is beyond its original design life, the District has implemented a collection system Repair and Maintenance Program for improvements and replacement of existing collection system lines.

5.2 Growth and Population

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

5.2.1 Growth and Population in Tuolumne City

According to the Tuolumne County Assessor's records, within the TCSD SOI boundaries there are approximately 218 undeveloped parcels. According to the State Department of Finance, *State and County Total Population Projections 2010 through 2060 Report P-1*, the population growth rate for Tuolumne County is -0.3 and is projected to continue to decrease through 2015 and then increase by 3.2% from 2015 to 2020. The addition of 3% to the existing population of the Tuolumne area would not create any impediment to service for the TCSD. The largest recent residential development is the addition of 84± parcels from the West Side Cherry Valley project located immediately west of Tuolumne City. The largest commercial connections will continue to originate from the Black Oak Casino.

With the continuing development connected with the Tribe, monitoring of wastewater system needs should continue and a revised Wastewater Master Plan should be started since the 2005 WFMP was completed before the hotel, golf course, and subdivision were approved. The WFMP should be revised to include pertinent elements of the newly adopted Tuolumne Community Plan and the cumulative effects of the Casino and associated hotels.

The Tribe's payment of connection fees is the primary source of revenue to finance the critical components of the WFMP since nearly all of the projected growth through 2014 can be attributed to their planned developments. These developments include the new 148 room hotel, the proposed 150-room hotel expansion, an 18-hole golf course, and phase one of the West Side Cherry Valley development.

Adopted in April 2007, the Tuolumne Community Plan (TCP) addresses the growth expectations for the Tuolumne City area over the next 25 years. It was funded through State Community Development Block Grant #04-PTAA-0337 and addresses the unique needs of the Community of Tuolumne. The TCP establishes Urban Development Boundaries encompassing the planned growth areas around Tuolumne City and provides guidelines to implement growth strategies within this area. Growth guidelines include encouraging mixed use development, clustering of affordable housing, protection of the Turnback Creek watershed, restrictions on development within floodplains and on hilltops, conservation of agricultural lands and railroad grades, and the establishment of a redevelopment district to modernize infrastructure. Goal 17.D of the TCP calls for maintenance of the existing small-town, rural community character and Policy 17.D.1 encourages new development to reflect the company-town character. Policy 17.A.3 encourages development that enhances existing uses and provides economic stimulation consistent with the small-town, rural character of Tuolumne City.

Geographical links between Tuolumne City and planned growth projects are expected to conform to these design standards and many of the planned developments attempt to incorporate these design elements in construction design. In support of planned growth, the TCP calls for improvements to the utility infrastructure, rehabilitation of structures and circulation routes, and visual links between the established community and future development. The importance of the wastewater infrastructure rehabilitation and expansion to the community of Tuolumne is reflected in the fact that Policy 17.A.6 calls for:

“Orderly growth synchronized with infrastructure expansion reflecting consistency with community character.”

In addition, Implementation Program 17.A.a recommends improving wastewater infrastructure as elements of a Redevelopment Program for the planning area. A buffer area around the WWTP is suggested in order to minimize land usage conflicts. Implementation Program 17.G.g of the TCP, which calls for improvements to facilities, is currently being implemented and planned improvements to streets and sidewalks have the potential to decrease infiltration and inflow during storm events. Discovered degradation during construction of other projects will add unexpected expenses to the District and contingency savings accounts would help alleviate this financial uncertainty.

The TCSD is currently constructing the final phase improvements of its plant renovation, which includes a Multi Use Building, Disinfection System and Building, Influent Alkalinity System and Building, which is anticipated to be complete in the summer of 2013. A new 10 inch outfall line from the Box Factory Road facilities to the Grinding Rock Reservoir at Baker Ranch was constructed in 2009.

The District continually repairs and upgrades the collection system when funds are available and purchased closed circuit televised (CCTV) inspection equipment to inspect the condition of the collection system. The District serves a population of approximately 1,865 residents. The population is projected to continue to decrease through 2015 and then increase by 3.2% from 2015 to 2020. The addition of 3% to the existing population of the Tuolumne area would not create any impediment to service for the TCSD. The TCSD continues to meet the requirements set forth in WDR Order No. 95-129.

5.2.2 Written Determinations on Growth and Population

1. There is a likelihood of growth in the Tuolumne City Sanitary District.
2. In the Tuolumne City Sanitary District, parcels can be divided or discretionary permits issued, to allow additional increased development in the area.
3. The TCSD is working to modify and upgrade the wastewater collection infrastructure to accommodate increased development planned for the area.
4. With the continuing development connected with the Tribe, monitoring of wastewater system needs should continue and a revised Wastewater Master Plan should be started since the 2005 WFMP was completed before the hotel, golf course, and subdivision were approved. The WFMP should be revised to include pertinent elements of the newly adopted TCP and the cumulative effects of the Casino and associated hotels.
5. The TCSD is working to modify and upgrade the sewage treatment and disposal method to accommodate projected growth. The TCSD is currently constructing the final phase improvements of its plant renovation, which includes a Multi Use Building, Disinfection System and Building, Influent Alkalinity System and Building, which is anticipated to be complete in the summer of 2013.

5.3 Finance Constraints and Opportunities

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

5.3.1 Financial Constraints and Opportunities for Tuolumne City Sanitary District

The connection fee for sewage collection, treatment, and disposal in the TCSD is \$7,200.00 per Equivalent (single family) Dwelling Unit (EDU). One EDU of wastewater is comprised of 160 gallons per day of flow and 0.193 pounds per day of strength, as measured by average value of Biochemical Oxygen Demand (BOD) and Total Suspended Solids (TSS). This connection fee is calculated to equitably spread the cost of facility improvements needed for service growth to those future connections that will need service. This rate structure seems to be an equitable system which takes into account both waste strength and flow rather than simply the flow.

The burden for needed facility improvements is spread as evenly as possible by including existing users as revenue sources for the planned improvements. The share of the improvement cost borne by the existing users is for those items that are required to meet higher levels of treatment required by the Regional Board and for major repair and replacement of facilities and equipment that is needed. The monthly rate, for connected users, was increased from \$20.00 to \$30.00 per month in 2006, to \$35.00 per month in 2007, to \$40.00 per month in 2009, and is now \$52.75 per month. The most recent increase in fees was necessary in order to secure a USDA loan in the amount of five million dollars to complete the renovation of the treatment plan facility..

According to the TCSD 2012 Audited Financial Statements (AFS), the Tuolumne City Sanitary District ended the year with a net asset value of \$6,341,865.00. Funding sources include monthly service fees, connection fees, and earned income from reserve accounts. The TCSD has never defaulted on repayment of any bonds or other debt

5.3.2 Written Determinations on Financing Constraints and Opportunities

1. The TCSD strives for maximum budget efficiency through the budget preparation process and maintains a balanced budget. Capital improvements are planned during the budget process.
2. The TCSD follows the Governmental Accounting Standards Board (GASB) 34 accounting standards.
3. Funding sources for TCSD consist of user fees, connection fees, and earned income from reserve accounts for contingencies.
4. Monthly Rates were increased from \$20.00 to \$30.00 per month in 2006, to \$35.00 per month in 2007, to \$40.00 per month in 2009, and to \$52.75 per month in 2011 in order to secure a USDA loan in the amount of five million dollars to complete the renovation of the treatment plan facility.
5. User and connection revenue should be adequate to fund facility improvements to meet existing and future developmental requirements in the TCSD Sphere of Influence.
6. According to the TCSD's Audited Financial Statements, the District operated ended the year with a net asset value of \$6,341,865.00 in 2012.
7. The TCSD has never defaulted on repayment of any bonds or debt.

5.4 Cost Avoidance Opportunities

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

5.4.1 Cost of Operations for Tuolumne City Sanitary District

The TCSD employs various cost-avoidance practices in their daily operations. The TCSD has taken numerous actions over the years to save money and lower expenses. The actions included: tailgate safety meetings on Occupational Safety and Health Administration (OSHA) standards, confined space entry, continuing education courses for wastewater operators, and general health and safety issues facing staff. This adherence to the basic rule of "safety first" has resulted in a minimum of lost productivity due to work related injuries.

The District has minimized extraneous financial activity and employs a minimum of highly qualified staff. These employees routinely share responsibilities and serve in a number of capacities in order to help keep costs down. Annual financial reports are prepared to track revenue and expenses. The financial reports are audited annually,

The TCSD continues to employ the lowest cost method of disposal for biosolids. The TCSD has adopted sewer connection fees to be paid by the property owner in the amount of approximately \$7,200.00 per single family residence. Future users are burdened with the higher cost of future facility improvements of the TCSD. Monthly service fees are currently \$52.75 per single family residence. Costs related to improper waste disposal and illegally modified or aging collection pipes could be decreased through public awareness programs regarding these water quality issues.

The TCSD has developed a Wastewater Master Plan to guide district services. This document contains timed/planned facility improvement plans which have been scheduled so that large expenses do not overburden the District. The plan also contains alternative improvement plans and various options for funding.

5.4.2 Written Determinations on Cost Avoidance Opportunities

1. The TCSD takes advantage of cost avoidance opportunities including a budget process designed to eliminate unnecessary costs and utilizing in-house resources to complete a variety of payroll/billing functions and administrative assignments.
2. The five-member Board of Directors are no longer paid stipends and are strictly a voluntary management board.
3. The TCSD's employees operate in a variety of capacities.
4. The TCSD should continue to decrease maintenance costs through public awareness programs.

5.5 Opportunities for Rate Restructuring

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

5.5.1 Rates for Tuolumne City Sanitary District

The TCSD strives to keep rates as low as possible. The TCSD currently charges \$52.75 per month per single family residential unit for wastewater services and new connection fees are approximately \$7,200.00. According to the Annual Financial Statement for 2012, operating revenues of \$991,889.00 were received combining user fees, sewer assessments, connection fees, refunds to the District, engineering fees, ad Valorem taxes, and interest earned on investments. Rates have been increased by the TCSD as needed and should continue to reflect costs associated with the operation of the TCSD. Development within the Tuolumne City area is likely to continue due to planned expansion of the Black Oak Casino hotel and construction of the West Side Cherry Valley subdivision and golf course. This continued development could spread the operating costs of maintaining wastewater service to a greater number of property owners. The population is projected to continue to decrease through 2015 and then increase by 3.2% from 2015 to 2020, based upon Department of Finance growth estimates for Tuolumne County. User fees from the population increase as well as continued fees received from the Black Oak Casino operations, will create the amount of revenue necessary to complete needed infrastructure and capital improvements.

5.5.2 Written Determinations on Opportunities for Rate Restructuring

1. It is likely that additional parcels will become part of the TCSD in the future and that facility improvements will be needed to serve the additional parcels.
2. It is likely that adjacent parcels will be annexed or divided to spread operating costs to more and future property owners.

3. Rates in the TCSD have been increased to enable the TCSD to cover its costs to provide adequate operation and maintenance and remain reasonable for the geographic area.
4. Rates should continue to be increased when necessary to the amount that would result in accumulating additional funds at the end of the year for contingency events.

5.6 Opportunities for Shared Facilities

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

5.6.1 Opportunities for Tuolumne City Sanitary District to Share Facilities

The TCSD makes every effort to extend wastewater service to areas that need it and plans to provide service to the planned developments of the Tuolumne Band of Me-Wuk Indians. Future plans include the development of an addition to their existing 148-room hotel with another wing to add an additional 150 rooms, an 18-hole golf course and construction of the West Side Cherry Valley Subdivision.

The TCSD is located either partially or entirely within the boundaries of Tuolumne County, Tuolumne County Resource Conservation District, Countywide Ambulance District (CSA 21), Tuolumne Fire District, Carters Cemetery District, Tuolumne Lighting District, Tuolumne Parks and Recreation District, and Tuolumne Utilities District. Only Tuolumne Utilities District provides wastewater service but its facilities are not in the vicinity of Tuolumne City. The Tribe has addressed its need for wastewater service through the purchase of capacity in the TCSD facilities. The Tribe currently has the equivalent of 700 single family residential connections. No equipment or personnel are shared with the Tuolumne Utilities District.

5.6.2 Written Determination on Opportunities for Shared Facilities

1. The TCSD currently does not need to share any facilities with other agencies.
2. The TCSD could increase service capacity through agreements with other governmental agencies but has been able to meet current demand for service by instituting proper fees and charges to finance needed capacity increases.

5.7 Government Structure Options

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

5.7.1. Tuolumne City Sanitary District Governmental Structure

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

The Tuolumne Utilities District is the only district that provides sewer service whose Sphere of Influence overlaps the TCSD. In fact, in 2011, TUD and TCSD were moving towards an agreement to allow the TUD to operate the TCSD wastewater treatment plant. TUD potentially has the capability to provide service to the Tuolumne City area; however, since Tuolumne City is not an incorporated city, service districts, such as the TCSD, appear to be an excellent way to maintain

local control and keep public participation high while at the same time maintaining consistent and adequate service levels.

The TCSD does not need to create any agreements with other local entities to provide wastewater service and does not need to increase its service boundary at this time. The County of Tuolumne does not operate any county service area sewer facilities.

In October 2012, a proposal to form a Community Services District for Tuolumne City was discussed by the Tuolumne community. A proposed Community Services District could include the Tuolumne City Sanitary District, the Tuolumne Fire District, the Carters Cemetery District, the Tuolumne Parks and Recreation District and the Tuolumne Lighting District. To date, no application has been received to form a Community Services District in Tuolumne City.

5.7.2 Written Determinations on Government Structure Options

1. The TUD could provide sewer service to the Tuolumne area; however, the TCSD provides adequate service.
2. Landowners within the TCSD service area will be adequately provided wastewater services.
3. A Community Services District could be formed in the Tuolumne community which could include the Tuolumne City Sanitary District, the Tuolumne Fire District, the Carters Cemetery District, the Tuolumne Parks and Recreation District and the Tuolumne Lighting District.

5.8 Management Efficiencies

Purpose: To evaluate the management capabilities of the organization.

5.8.1 Tuolumne City Sanitary District Management

The TCSD is governed by a five member Board of Directors and staffed by four full time employees: a Plant Manager, District Secretary and two Operators. At the top of the TCSD Organizational Chart are the five members of the elected Board of Directors. Directly below the Board, is Chief Plant Operator, Michelle Brick who is responsible for oversight of the wastewater system and reports to the Board. Reporting to the Plant Manager are: Lonnie Johnstone (Grade II Plant Operator) and Adam Artzer (OIT/Collection System Tech). Also, reporting to the Board is Brenda Bonillo (District Secretary) and Chad Coleman, District Engineer.

In evaluating the TCSD's capability to serve the Sphere of Influence area, LAFCO can examine the TCSD's ability to maintain management and budget efficiencies over the existing lands.

The TCSD Board of Directors receives reports from District staff at their monthly meetings and oversees all operations and personnel. The Chief Plant Operator, Michelle Brick, oversees the District's daily work and staff instructions are discussed each morning. The limited staffing allows communication to be timely and robust. Complaints are directed to the Board's attention and a special meeting may be called depending upon the severity of the issue. Standard procedures for meetings involve faxing the meeting agenda to the local paper 72 hours before the meeting, posting of the agenda at various community locations, and hearing reports from District staff which are considered and/or acted upon by the Board members.

The TCSD has a comprehensive safety program, which includes regular training opportunities that significantly decreases management costs associated with worker safety. The TCSD strives for maximum budget efficiency through the budget preparation process and maintains a balanced budget. Capital improvements are planned during the budget process.

5.8.2 Written Determinations on Management Efficiencies

1. The Chief Plant Operator, Michelle Brick, oversees the District's daily work and staff instructions are discussed each morning. The limited staffing allows communication to be timely and robust. Complaints are directed to the Board's attention and a special meeting may be called depending upon the severity of the issue.
2. The TCSD has a comprehensive safety program which includes regular training opportunities and routine safety inspections by independent contractors significantly decreasing management costs associated with worker safety
3. It is reasonable to conclude that management of the TCSD is efficient.

5.9 Local Accountability and Governance

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

5.9.1 Tuolumne City Sanitary District Public Participation

LAFCO may consider the agency's record of local accountability in its management of community affairs.

The TCSD maintains customer-oriented programs including posting of agendas at the local post office and market, and monthly meetings held the first Wednesday of every month at 7:00 p.m. at 18050 Box Factory Road. Public service announcements are sent monthly to the local newspaper and the plant office is open daily Monday through Friday 7:30 a.m. – 4 p.m. excluding major holidays. Staff is always available for emergencies and a variety of communication channels including, mail, email, and fax, ensures a wide listening audience. Posting of agendas around Tuolumne City is routine. Public attendance and participation is encouraged at the monthly TCSD Board of Directors meetings. Payments to the District are done through the County tax rolls, but District staff is always available to assist customers with any concerns they may have. With such large scale development planned for the area, wastewater service is an important focus for TCSD customers and participation is likely to remain high due to potential impacts to established residents.

The TCSD does not currently operate a website. In order to increase public participation, the TCSD should consider hosting a website in the future where customers can view current fees, review minutes of meetings, look up the nearest location of a sewer main and request needed information.

5.9.2 Written Determinations on Local Accountability and Governance

1. The TCSD's outreach program includes posting of meeting agendas, and public announcements in the local newspaper.
2. The TCSD Board of Directors conducts business during regularly scheduled monthly meetings that are open to the public.

3. The TCSD should continue to solicit customer feedback and comments from property owners within the district.
4. TCSD maintains a highly visible and accessible office in Tuolumne City where customers are welcome to discuss issues with staff.
5. In the future, the TCSD should consider hosting a website to increase customer accessibility, customer participation and provide needed information.

5.9.3 Disadvantaged Unincorporated Communities (DUC)

Section 56430(a)(2) of the Government Code requires that LAFCO include in a Municipal Service Review, a description of the location and characteristics of any disadvantaged unincorporated communities within or contiguous to the Sphere of Influence. Section 56425(e)(2) further requires LAFCO to adopt determinations for an update of a Sphere of Influence of a Special District that provides public facilities and services related to sewer, water and fire protection.

Section 65302.10(1) of the Government Code defines a community as an inhabited area within a city or county that is comprised of no less than 10 dwelling units, adjacent to or in close proximity to each other. Inhabited is defined as having 12 or more registered voters in the area. If there are less than 12 registered voters, the area is considered uninhabited.

Section 65302.10(a) of the Government Code defines a Disadvantaged Unincorporated Community as a fringe, island of legacy community in which the median household income is 80% or lower than the Statewide median household income. An unincorporated legacy community is a geographically isolated community that is inhabited and has existed for at least 50 years.

5.9.4 Disadvantaged Unincorporated Communities within the TCSD

The District is located in and around the community of Tuolumne City, approximately 8.0 miles southeast of Sonora on Tuolumne Road in the unincorporated area of Tuolumne County, California. The treatment plant is located on Assessor's Parcel Numbers 62-630-05 and 62-020-13. The service area within existing boundaries is approximately 766± acres with a potential service area of 4,152± acres in the Sphere of Influence. The District is located within the drainage of Turnback Creek, which is tributary to the Tuolumne River before flowing into Don Pedro Reservoir. The District is primarily centered around Tuolumne City providing wastewater collection and treatment service for 1.2± square miles inside the District boundaries, and an area of 6.5± square miles in the Sphere of Influence.

The Tuolumne area is a legacy community because it is inhabited and is over 50 years in age. The 2010 Census indicates that the Tuolumne community is a Census designated place that has a median household income of \$35,291 per year. The Census further indicates that the median household income for the State of California is \$61,632 per year. 80% of the State wide median income is \$49,306 per year. Since the median household income of the Tuolumne community is less than 80% of the Statewide median household income, the Tuolumne community is a disadvantaged unincorporated community.

There are urbanized areas within the TCSD's SOI that are not presently provided service, such as the Ponderosa Hills Subdivision in the northeast corner of the SOI. Providing sewer service to this area would require substantial funding assistance as extensions of sewer mains to the Ponderosa Hills Subdivision far exceeds current District financial capabilities. The Ponderosa Hills Subdivision and other areas outside the present TCSD district boundaries are provided wastewater treatment

and disposal by an on-site sewage treatment and disposal system. There are no areas in the District Sphere of Influence that have experienced widespread on-site sewage treatment and disposal failures.

Disadvantaged unincorporated communities outside the TCSD SOI are within the service area of the Tuolumne Utilities District and could be provided sewer service by that District.

5.9.5 Present and Planned Capacity of Public Facilities in Disadvantaged Unincorporated Communities

Section 56425(e)(2) requires LAFCO to adopt additional determinations for an update of a Sphere of Influence of a Special District that provides public facilities and services related to sewer, water and fire protection. The TCSD provides sewer services to the community of Tuolumne and parcels immediately to the south, west and north of Tuolumne. These services and facilities are provided to the community in an efficient manner to all property owners, residents and visitors of the area regardless of income, at as low of cost as possible.

5.9.6 Written Determinations Regarding Disadvantaged Unincorporated Communities:

1. The community of Tuolumne has been identified as a Disadvantaged Unincorporated Community.
2. The Tuolumne City Sanitary District provides sewer services within its District.
3. The Tuolumne City Sanitary District provides services at as low of a cost as possible to property owners, residents and visitors within its District in an efficient manner.

6.0 REFERENCES

Tuolumne County, *Tuolumne County General Plan*, December 26, 1996.

Tuolumne County, *Tuolumne County General Plan, Housing Element*, June 2010.

Tuolumne Community Plan, Chapter 17 in the Tuolumne County General Plan, April 2007.

Tuolumne County, *Tuolumne County Ordinance Code, Title 17*.

Local Agency Formation Commission (LAFCO):

1980 "Sphere of Influence for Tuolumne County"

1985 "Updated Sphere of Influence for Tuolumne County"

2007 Municipal Service Review for the Tuolumne City Sanitary District

Health and Safety Code Sections 6400-6830.

Tuolumne City Sanitary District Wastewater Facilities Master Plan, August 2005.

Tuolumne City Sanitary District Audited Financial Statements, June 30, 2011.

Tuolumne City Sanitary District: Staff Revisions to MSR including financial updates, August 2012.

State of California Department of Finance, *State and County Total Population Projections 2010 through 2060 Report P-1*.

Exhibit "B"

