REPORT TO CITY COUNCIL

City of Nevada City
317 Broad Street
Nevada City, CA 95959
www.nevadacityca.gov

February 22, 2017

TITLE: Confirm Submittal of 2017 Nevada City Sphere of Influence Recommendation to the Nevada County Local Agency Formation Commission (LAFCo)

RECOMMENDATION: Pass a Motion confirming submittal of the 2017 Nevada City Sphere of Influence recommendation to the Nevada County LAFCo.

CONTACT: Mark Prestwich, City Manager

BACKGROUND / DISCUSSION: At the January 25, 2107 City of Nevada City Council meeting, Nevada County Local Agency Formation Commission (LAFCo) Officer SR Jones presented a LAFCo staff-developed proposal to substantially reduce Nevada City's Sphere of Influence (SOI) boundary. If adopted, the sweeping proposal would shrink the LAFCo-approved Nevada City SOI by nearly 70%. Numerous concerns were raised and discussed by the City Council, City staff and community members that evening and again at the City Council meeting of February 8.

Based on feedback received, City staff prepared and submitted to LAFCo the attached comprehensive document recommending the LAFCo Board reconfirm the existing SOI boundary. The narrative explains why the existing Nevada City SOI boundary approved in 1986, reconfirmed in 2002, and remained unchanged by the LAFCo Board in 2008 continues to be consistent with State statutory provisions and Nevada County LAFCo policy requirements, and should remain so during this 2017 review. No significant changes have been made to LAFCo Law (the Cortese-Knox-Hertzberg Act of 2000) since 2008 which would require a different determination.

The City has mailed notice and information related to LAFCo's forthcoming Thursday, February 23rd Nevada City Sphere of Influence Workshop to City residents and residents of the Nevada City SOI. The workshop will be held at the Nevada County Government Center's Board Chambers located at 950 Maidu Avenue. The meeting begins at 9:30 a.m. All materials related to the SOI update have been added to the City's website to provide additional information for interested citizens.

ENVIRONMENTAL CONSIDERATIONS: Described extensively in attachment.

FISCAL IMPACT: Not applicable.

ATTACHMENT:

- ✓ 2017 City of Nevada City Sphere of Influence Recommendation

City of Nevada City

Sphere of Influence Recommendation

February 2017

At the January 25, 2107 City of Nevada City Council meeting, Nevada County Local Agency Formation Commission (LAFCo) Officer SR Jones presented a LAFCo staff-developed proposal to substantially reduce Nevada City's Sphere of Influence (SOI) boundary. If adopted, the sweeping proposal would shrink the LAFCo-approved Nevada City SOI by approximately 50%. Numerous concerns were raised and discussed by the City Council, City staff and community members that evening and again at the City Council meeting of February 8.

The following narrative explains why the existing Nevada City SOI boundary approved in 1986, reconfirmed in 2002, and remained unchanged by the LAFCo Board in 2008 continues to be consistent with State statutory provisions and Nevada County LAFCo policy requirements, and should remain so during this 2017 review. No significant changes have been made to LAFCo Law (the Cortese-Knox-Hertzberg Act of 2000) since 2008 which would require a different determination.

Background

LAFCo's 2008 Nevada City sphere update, which retained the current sphere boundaries, documented the capacity of the City's facilities and infrastructure and confirmed the adequacy to meet current and projected demands. The LAFCo determination also concluded the SOI aligned with the following LAFCo policies:

- It encourages orderly growth and development, and the logical formation and determination of City boundaries.
- It discourages sprawl.
- It encourages a review of public facilities and services to ensure that affected populations receive efficient and effective governmental services.
- It continues to preserve identified open-space lands.
- It does not divide or adversely affect any social or economic communities.

Continued investment in City facilities and services along with current Municipal Service Reviews show the infrastructure capacity has been substantially enhanced since then; no inadequacy justifying a reduction of the sphere is noted in the LAFCo Officer's current proposal.

The change in the definition of "sphere of influence" to delete the word "ultimate" from the prior definition of "probable ultimate physical boundaries and service areas" of a city or

district was not a recent change, but was made by AB 1335 adopted in 1993, **and was already in effect at the time of the two prior determinations of Nevada City's current sphere**. Furthermore, the State Senate and Assembly proceedings do not give any indication that the change was intended to authorize LAFCo to initiate reduction of determined spheres.

Where State LAFCo law does address procedures relating to sphere updates, it appears to contemplate enlargement rather than reduction, addressing only those changes requested by a city to mandate meetings by city and county representatives to discuss the proposed sphere and explore methods to reach agreement on development standards and planning and zoning in a manner that "…reflects the concerns of the affected city…" and promotes "… logical and orderly development…" and then providing that the commission shall give "great weight to that agreement."

Today, Nevada City and Nevada County have the equivalent of an agreement on development standards, planning and zoning for the current sphere with complimentary General Plan policies providing the County will not impose more intense land uses than the City within its sphere and allowing the City to annex and process development proposals within its sphere. As long as those General Plan protections refer to properties within the City's sphere of influence, they would no longer apply to areas removed from that sphere, overriding the City and County General Plan provisions and effectively transferring ultimate planning authority over removed areas from the City to the County.

On October 25, 2016, the County Board of Supervisors considered a change to those policies on an individual Board member request but gave no direction to proceed with any change, indicating satisfaction with the current process of working things out between City and County staffs. Reducing the current sphere instead of changing the applicable General Plan treatment of sphere property would be an "end run" to similarly allow the County to authorize development in the areas removed from the current sphere in disregard for concerns of the City.

There is no provision in State law for removing sphere properties and creating a special designation of "Areas of Interest" and the City is unaware of any other LAFCo that has done so. Absent statutory authority, it must be assumed that properties are either "in" or "out" of the sphere of influence provided for by State law.

There is California Supreme Court case authority in *Bozung v. Local Agency Formation Commission* (1975) 13 Cal.3d 263 that LAFCo approval of annexation was a necessary step in the chain of events that would culminate in a physical impact on the environment so that annexation transferring planning authority over land from a county to the annexing city was not exempt from CEQA. This reasoning suggests that the proposal to remove property from the City's current sphere, effectively transferring planning authority in the removed area from the City to the County, would likewise be subject to LAFCo-funded environmental review to assess the impacts.

In the past, when reasonable requests have been made to Nevada City to change its sphere, the City has been cooperative. For example, in 2011, when it was pointed out that five lots on the fringe of Nevada City's sphere were on Grass Valley water and sewer in Grass Valley's water shed, Nevada City voluntarily agreed to removal of those parcels from its sphere and passed a Resolution to that effect. No such logic supports the current proposal for reduction.

To the extent that there is any concern over the pace of annexations since the 2008 retention of the current sphere, this can be explained by two factors: 1) the LAFCo Officer has indicated that annexation requests must include development proposals to be considered, and 2) there has been a national recession since about 2008 pausing development projects; no new project applications have been filed for development in the sphere, effectively limiting annexations to properties developing a need for City services, (e.g. failed septic systems necessitating City sewer hookups). When it looked like the HEW property (on City sewer) might be sold and developed, Nevada City passed Resolution No. 2011-56 indicating an intent and desire to annex the HEW property and intervening properties as soon as appropriate, but was informed that no annexation could occur without a development plan, which was not forthcoming and remains so.

Pursuant to Government Code 56425(e), LAFCo must consider four factors when determining the sphere of influence for each public agency:

1. The present and planned land use 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 provided by the agency.
4. Any social or economic communities of interest in the area that the Commission determines are relevant to the agency.

Present and Planned Land Use

The overall goal of California LAFCo's is to encourage orderly growth and development and to **discourage urban sprawl**. The Legislature's specific policy statement declares a preference for accommodating growth within, or through the expansion of, the boundaries of local agencies and that responsibility should be given to the agency or agencies that can best provide government services. The present SOI boundary represents areas currently served by the City in terms of recreation service, fire service, police service, and arterial roadways.

Presently, the County and City engage in a dialogue for properties within the existing SOI using the adopted policy language shown below. This has worked well and has resulted in logical and orderly development consistent with the City's General Plan and with the County General Plan which provides as follows:

Policy 1.8.3 Within the City/Town spheres of influence, the Nevada County General Plan Land Use Maps will generally reflect the City's/Town's General Plan land use mapping. In some instances, the County may provide for a less intensive land use due to infrastructure capability, environmental constraints or effect on land use and development patterns outside the city's sphere. However, the County's Plan will not preclude implementation of the City's/Town's Plan by providing for a significantly more intensive land use than the City's/Town's Plan.

Policy 1.8.4 "For all discretionary projects within a City's/Town's sphere, the County shall first request that the City/Town determine whether or not it desires to annex the project. If the City/Town does desire annexation, the applicant will be directed to the City/Town. If the City/Town does not desire annexation, the application will be referred to the City/Town for review and comment."

These policies would no longer be applicable for any portion designated as an "Area of Interest."

Reducing the sphere has the effect of indirectly rendering portions of the County and City General Plans ineffective to the extent that they provide that County land use designations not be more intense than City designations within the City's sphere of influence and that when development is proposed within the City's sphere of influence the City can elect to annex and assume concurrent processing of the application. Removal of properties from the City's sphere of influence would render these provisions inapplicable.

To the extent properties are removed from the City's sphere of influence, the City's role in development approval would be reduced to merely being able to comment so that it could be approved by the County over the City's objection (this type of development has occurred in the County in the past). If properties are removed from the City's sphere of influence, the County could change the zoning to allow uses more intense than provided for in the City's designation.

The current sphere was based in part upon protecting the immediate watershed from adverse impacts from development that inadequately addresses water and sewer concerns. The City has the capacity to serve the properties within its sphere. The County does not and cannot require connection to City services, especially sewer connections for new development and failed septic systems creating potential environmental impacts, especially with respect to degradation of the City's watershed.

Under the LAFCo Officer's proposal, there would be no obligation for the County to maintain land use patterns consistent with City interests. This possible conflict has the potential to degrade the City's view shed, watershed, and overall quality of life afforded to its residents, along with those residents in the present SOI.

Present and Probable Need for Public Facilities and Services in the Area

The probable need for public sewer and water service is imminent as residential septic systems fail and as drought patterns continue. It is not unreasonable to imagine that all current SOI properties may seek sewer service from the City within the next 20 years (long-term sphere horizon), especially given the 50-year expected life span of most septic systems. The need to connect to City sewer would likely be a result of one or more of the following factors:

- Groundwater or surface water contamination due to poorly functioning septic systems;
- Undesirable maintenance and costs associated with their onsite septic system;
- Desire to convert areas currently used for septic tanks and leach fields for other uses; and
- New regulations that may prohibit or discourage new septic systems and encourage conversion of existing units.

The City has more than enough capacity to provide continued and expanded service to the present SOI as needed. The City has service agreements for fire, water, and police services and longstanding relationships with related parties. The harmonious manner in which these service agreements are carried out provide better response and service to the entire community, including that of the City, its entire SOI, and arguably beyond that boundary. A reduction in the present SOI has the potential to disrupt this balance of health and safety.

The SOI offers opportunities for orderly growth in areas that are immediately adjacent and connected to infrastructure and other essential services. This is consistent with the overall goal and policies established by State law to promote logical and orderly development and to prevent urban sprawl. Nevada City is a “full-service city” that provides water, wastewater, police, fire protection and emergency response services. Housing, retail and employment are in close proximity to jobs and essential services, and the character and sustainability is preserved by the City’s General Plan and current SOI policy.

Conservation and protection of water resources riparian areas, natural environment and forestland within the City boundary and SOI is also further defined in the City’s General Plan. As areas are annexed into the City, important considerations are given to preservation and recreational use of open space.

The City has prepared a map (see Attachment A) that breaks out the recommended Area of Interest into seven distinct geographic areas. Explanations for why each area is already consistent with LAFCo policy and should remain within the current SOI are described below:

- **Geographic Area 1:** This area is adjacent to both the Old Airport property and the Sugarloaf property. The City’s primary access road to its Old Airport property

traverses this area. This area is primarily developed with low density residences. It encompasses the ridgeline and the City's northern view shed. This area has a history of hydraulic mining and, as such, contains soils that are likely marginally able to support septic repair areas once the current systems fail. As intervening parcels experience failing septic systems and are annexed to the City, sewer lines will be extended to eventually serve this area as well.

- **Geographic Area 2:** Area 2 encompasses medium density residential uses and is served by Willow Valley Road and Boulder Street. This area lends itself to walkable improvements and housing, which could make it a good fit for well-designed workforce housing in the future. This area also encompasses the watersheds of Deer Creek and Little Deer Creek. As previously discussed degradation of these resources could have severe adverse implications for the City's water supply, as well as ecological and aesthetic resources. Deer Creek is a prominent resource throughout the City. Any degradation of this resource would have detrimental impacts on the City's sense of place, history, and quality of life.

- **Geographic Area 3:** This area encompasses the City's water treatment plant and also a portion of the Little Deer Creek watershed. The City currently serves the Nevada County Sportsman's Club with treated water so it does not make sense for this to be outside of the SOI. Rather, City staff would support expanding this area of the SOI to encompass the point at which Little Deer Creek diverts to the canal that provides the City's water supply.

- **Geographic Area 4:** This area represents the City's southern view shed and serves as a drainage shed from the Banner Lava ridge. There are several large and developable parcels that would be best suited for workforce residential development. The topography of this area is such that it lends itself to gradient water flow from the City's water plant. The City has the capacity and, because of the gradient, the ability to serve this area with sewer.

- **Geographic Area 5:** This area is a primary entry point into the City and the point closest to the City of Grass Valley. Land use patterns in this area must be seriously considered in terms of their impact on maintaining a distinct boundary between the two cities and avoiding sprawl that could degrade this important distinction. This is an area the City desires to annex in the near term.

- **Geographic Area 6:** This area is served by Old Downieville Highway, which provides a direct route into the heart of downtown. On both the north and south sides of this area, developed trails exist that are maintained by the City. Any land use pattern changes here could have a direct impact on the trails as a recreation amenity. It is worth noting that the City hopes to eventually connect the Tribute Trail with the Hirschman's Trail system sometime in the future. Furthermore, the

Eden Ranch subdivision is served by a package treatment plant. The City has received calls from residents of this subdivision that express concern over the adequacy of this septic system. The City anticipates that the system will eventually fail and will necessitate a large annexation to serve that area with sewer.

- **Geographic Area 7:** The City has deeded road access through this area to the Old Airport property. It also has a history of hydraulic mining leaving marginal soils and questionable ability to support adequate repair areas after septic failure. The City has the capacity and, because of the gradient, the ability to also serve this area with sewer.

Other considerations include the following:

- **Watershed Degradation:** The present SOI boundary encompasses watersheds for Deer Creek, Little Deer Creek, Gold Run Creek, Oregon Ravine, Woodpecker Ravine, Woods Ravine, Rogers Williams Ravine, and Manzanita Ravine. All of these drainages run into the heart of the City. Potential upstream degradation and contamination of these water resources would directly impact aesthetic, ecological, and recreational resources within City limits. Most alarmingly, degradation of Little Deer Creek in particular, will directly impact the City's water supply. The City's authority over land uses within the SOI is crucial for providing adequate protection of these resources from adverse development impacts and/or altered land use patterns. If the SOI is reduced in the manner proposed by the LAFCo Officer, land use patterns could significantly change in a manner that could degrade water quality and severely impact the way in which City residents, and residents beyond, enjoy these amenities for their aesthetic, ecological, and recreational value.

- **Septic Tank Failure:** The County's hydraulic mining legacy resulted in marginal soil quality in many areas of the County, including approximately 30% of the present City SOI. Septic drainage fields are required to meet standard percolation rates which are largely determined by the condition of top soil. Historic mining practices removed the top soil in many areas of the SOI and, as such, compromised their ability to accommodate standard septic systems. All areas of the SOI, with the exception of the Eden Ranch subdivision, are served by individual septic systems or are already connected to City sewer. A standard septic system lasts approximately 50-years. With consideration of the substandard soils in the area, this life span may be considerably less than that and repair areas will be difficult to locate. The SOI boundary includes many areas that the City expects to be serving as these systems begin to fail. Many of the annexations that have occurred over the last 25 years were the result of failing septic systems. On any given day, the City's population swells to 6,000 to accommodate normal business, including the Rood Center, School activity, general commercial activity, and other business. Taking into account this daily population swell, the sewer capacity runs at just over 50% capacity. The City's Wastewater Treatment Plant has capacity for

0.69 million gallons per day (mgd). Current average dry weather flow ranges from 0.38 to 0.47 mgd. The City has more than enough capacity to serve the area included in the SOI. Because all septic systems will eventually fail, the need to serve the present SOI area will intensify every day forward.

- **Well Failure:** The nature of the Nevada County foothills are such that ground water resources are provided in reservoirs of fractured rock. California regularly experiences periodic extended drought conditions. The ability to regulate and monitor water use will become increasingly important throughout California as population increases and drought patterns continue. While much of the SOI is within the Nevada Irrigation District Boundary, service agreements exist between NID and the City that allow service to be provided depending on proximity and eligibility of existing infrastructure. There are several properties in the present SOI that are already served by City water. There are also many areas in the SOI that are adjacent to existing City water line facilities. City facilities can be extended where NID facilities do not exist using our service agreement. Water sources for the City's water system include Little Deer Creek and the DS Canal. The City's water treatment plant has capacity for 2 million gallons per day (mgd) and currently treats a maximum daily demand of 1.5 mgd. The City has adequate water treatment, storage and distribution facilities which can be expanded as necessary to accommodate projected growth within the current City limits and SOI.

- **Affordable Housing:** Both the County and the City have acknowledged that our community is in need of additional affordable housing. Effective affordable housing is typically provided near commercial districts and within high density residential developments. The nature of high-density residential development (e.g. City R3 zoning equals 18 units/acre) requires that they be served by a sewer system as opposed to septic systems. Because the County does not have any sewer treatment plants available to serve the area within the present SOI, it is reasonable to assume that any property proposed for an affordable housing project within the SOI would be served by City sewer, and therefore require annexation to the City. The City is currently meeting its State mandated share of R-3 affordable housing zoning and can be expected to do so in the future. In addition, the City has a very progressive inclusionary housing ordinance which requires that 30% of all new housing developments, multi-family <u>and</u> single family housing subdivisions, include 30% smaller, affordable units (moderate income or below) which will remain affordable in the future. An additional 20% of homes in new single family subdivisions are required to have second units for affordable housing. This results in about 50% affordable housing in new subdivisions. Since not all new housing developments are multi-family, this ensures that all new housing projects will contribute to the affordable housing stock. This method has been used on a number of housing projects, including all of those approved in the City since it was adopted. As the City annexes additional land, these policies will be in effect, which

is not the case under County regulations. Another consideration is proximity of housing to jobs. The City serves as the hub for the County of Nevada (the area's largest employer), County Courthouse, Tahoe Forest Service, Caltrans and several Fire Districts. The SOI offers opportunity for development that is contiguous to the City and close to essential services with greatest opportunity for additional workforce housing. Greater density can occur with public sewer.

- **View Shed:** The City's view shed is of particular importance in terms of preserving our sense of history and general character as a city nestled within a wooded enclosure. Altering any of the land use patterns in any part of the view shed would irreversibly compromise this special character that is largely unique to Nevada City and lose the City's charm so cherished by City residents, sphere residents, and tourists. In fact, the 2008 LAFCo Sphere of Influence update references "the City's important view shed" and notes:

    - "Future discretionary development and timber harvesting within this area would potentially impact the visual quality of the City. The General Plan includes the objective to 'foster a compact rather than a scattered development pattern in order to preserve the existing impression of a tightly clustered, fine-grained core within a tree-covered, rural surroundings.' "

    - "The City has also devoted significant attention to the entry points into the City. Loss of control over development and landscape-level maintenance could undermine the City's efforts to maintain the sense of arrival in the City proper, as well as producing unnecessary sprawl."

Present Capacity of Public Facilities and Adequacy of Public Service

Consistent with LAFCo policy expectations, the City of Nevada City already provides services and contributes significant municipal facilities that ensure the adequacy of public service to SOI properties, as outlined below:

- **Wastewater (Sewer) Treatment Facility:** Nevada City owns and operates a tertiary wastewater treatment facility designed with capacity to accommodate properties in the current SOI. The Plant has a capacity of 0.69 million gallons per day (mgd). Current average dry weather flow ranges from 0.38 to 0.47 mgd, indicating the facility has the capacity to serve the entire SOI. The facility's design capacity and City's subsequent significant capital investments over time were made because the facility anticipated serving all parcels within the current SOI boundary (the City has invested approximately $6 million in improvements since 2006/07 alone). A significant determination in developing the current SOI was the fact that sewage from the SOI parcels would flow by gravity to the City's wastewater facility. Sewer mains currently are at the City limits against the SOI.

Importantly, the City has anticipated that the current SOI parcels would eventually contribute revenue to the facility, offsetting the City's maintenance costs and resulting in its optimal operation. A reduction of the sphere would threaten future revenues as there is potential SOI parcels could be served by alternate systems like the failing Eden Ranch package treatment plant. This is simply unacceptable, especially given the fact that the City has a track record of annexing/serving parcels that experience failing septic systems and extending lines to these areas, and considering the substantial environmental benefits associated with connecting to a sanitary sewer system.

- **Recreation Service:** The City presently manages approximately 10 acres of developed park area and 278 acres of Open Space, which includes approximately 12 miles of developed trail. The City is also in the preliminary stages of selecting a trail route on the Sugarloaf property which could add up to two miles of developed trail. Using the national standard of 5 acres per 1000 people, the amount of park and recreation amenities managed by the City could accommodate 57,600 people (roughly 58% of the entire County population). The extent to which the City serves the present SOI and beyond is further exemplified by the recreation programs provided by the City's park system, particularly those programs associated with the pool at Pioneer Park. In 2016, 90% of swim lesson participants and 75% of adult aquatics program participants were from outside of the city limits. Furthermore, 96% of summer camp participants were from outside of the city limits, demonstrating the City is already serving a much larger service territory.

- **Shared Fire Service Agreement:** For more than a decade, the City of Nevada City, City of Grass Valley and the Nevada County Consolidated Fire District (NCCFD), have operated under a Joint Operational Area (JOA) master agreement to provide reciprocal fire protection and emergency medical response services. Through each party's participation, significant improvements in response times, joint firefighting training and safety, supervision, personnel recruitment and overall greater efficiency is provided to the citizens, visitors, and businesses within each jurisdiction (and beyond).

  Nevada City's Fire Station 54 serves as one of seven JOA fire stations. The station was constructed, maintained and is staffed by six City of Nevada City funded professional firefighters and three interns, allowing the City to provide three firefighters per shift. The station performs approximately 1,000 calls for service annually, approximately 50% of which are provided on behalf of Grass Valley and NCCFD territory. Removal of properties from the City's current sphere would not lessen the impact on the City's fire protection services because the JOA already serves these areas via its agreement. Furthermore, while Nevada City represents approximately 8% of the JOA population, Station 54 represents 14% of the

available JOA Fire Stations and contributes more dollars per capita than each of the other two agencies toward fire protection services.

The City's commitment to quality fire protection and emergency response services is underscored by the community's recent 82% support for a 3/8 cent special sales tax to fund three firefighter positions (incidentally, this measure also provided sustainable funding to augment sworn City Police Department staffing by 10%). These positions were previously funded by NCCFD for more than a decade. Citing financial difficulties, NCCFD notified the City on November 12, 2014 that it would remove three firefighters from Station 54 on April 19, 2015 leading to the City's sales tax measure.

Pursuant to the JOA response standards, the closest available fire apparatus/resource will respond to calls for services. Response protocols often require multiple engine response depending on the type of service call and it is common to see two or three of the agencies responding to service calls of this nature. As a testament to the effectiveness of the reciprocal Master Services agreement, the Insurance Service Office (ISO) recently improved the Public Protection Classification ranking of the City's fire suppression ranking from 5 to 3, which has the potential to lower insurance premiums for Nevada City residents. It is important to note that SOI properties annexed into the City no longer are required to pay the $117.33 State Fire Fee.

- **Police Services:** The City's Police Department includes a sworn staff of 10 officers which will increase to 11 after April 2017 when Measure C takes effect. This will change the City's ratio of full-time officers per 1,000 residents from 3.1 to 3.4 which is approximately 30% higher than the 2.2 average ratio reported by the U.S. Bureau of Justice Statistics (BJS) for cities with a service population of 2,500 to 9,999. The Police Department's sworn staff is supplemented by a corps of seven Reserve Officers and three civilian staff that assist with records management, evidence management and community service activities. In 2014, the City re-established its canine program (previously retired in 1999) to assist with suspect detection/apprehension and narcotics detection. This "force multiplier" adds to the City's ability to provide high quality law enforcement services to the City and annexed SOI properties.

  In order to plan for containing the cost of municipal services, particularly Police and Fire, the City has established a pension reserve fund to address anticipated increases in pension costs due to California Public Employees Retirement System (CalPERS) investment losses and reductions in the CalPERS discount rate. Furthermore, the City has the most cost-effective (e.g. lowest) public safety pension formula available for "Classic Members" within Nevada County in order to assist the City in containing costs. It's also notable that one-half of the City's

firefighters are already subject to the more cost-effective Public Employee Pension Reform Act (PEPRA) as well as 30% of the City's Police Officers. A 2016 compensation survey confirmed that City positions are at or below market, which helps contain City expenses. Additionally, with the support of Measure L, a five-year 3/8 General Tax adopted in 2012, the City has been able to utilize approximately $432,000 annually for one-time City needs and to grow its reserve accounts to optimal levels. The City's financial position continues to improve and the addition of a 70-unit campground and short-term home rental ordinance in 2016 promises to substantially augment City revenues in forthcoming years providing the means for the City to ensure the sustainability of quality municipal services.

- **Roadways:** The road connections within the current sphere generally route traffic through Nevada City causing additional traffic within the City that could be cumulatively significant if not adequately addressed. Several arterial roadways and collectors: Gracie Road, Red Dog Road, Willow Valley Road, Cement Hill Road, North Bloomfield Road, Coyote Road, Old Downieville Highway, Nevada City Highway, and Pittsburg Mine Road serve as the primary access route from residential properties within the present SOI to schools, commercial destinations, and recreational amenities within the City limits. The intense use of these roads by those within the SOI entering the City on a daily basis is a key reason the current SOI boundary is suitable in its present configuration. Furthermore, the following 2008 LAFCo findings remain relevant:

    - *"Development within this area would potentially result in direct adverse traffic impacts on local City streets. Nevada City's 'prime circulation goal' emphases 'the importance of preserving the 'eccentricities' of the road network as an integral part of the special character of the City."*

    - *"Circulation policies include 'maintain reasonable traffic levels on local streets…' and 'limit development served by traffic capacity constraints."*

Existence of any Social or Economic Communities of Interest in the Area

The road system within the existing sphere of influence was developed during the gold mining era and resembles the spokes of a wagon wheel routing all traffic into downtown Nevada City to access highways 49 and 20 to leave the area. Similarly, the existing sphere is something of a bowl so that surface water drains to Nevada City as would any extension of sewer lines to service new development. The existing sphere also constitutes a view shed visible from downtown Nevada City that would be despoiled by inappropriate development. Any development within the existing sphere would rely upon the recreation facilities and trails established and maintained by Nevada City. All the properties within

the current sphere have Nevada City mailing addresses and have a social and economic community of interest with Nevada City for shopping, entertainment and employment.

The County provides **no** sewer or water service to the area and maintains **no** recreational facilities or trails for the area. The County has no fire department of its own. Other than providing employment opportunities at the Rood Center, the unincorporated area around Nevada City has no discernable social or economic community of interest with the County as contrasted with Nevada City. Yet inappropriate development within the view shed and watershed within the current sphere of Nevada City could and would have serious impacts upon Nevada City and the appearance and feel of the City which make it such a special, historical place to work, live or visit. Removing areas from the current sphere of Nevada City which furnishes a full range of services and depends for its livelihood on compatible development in adjacent areas and relegating development thereof to the preview of the County which provides no necessary municipal services (except law enforcement protection through the sheriff) and has no real social or economic community of interest would seem to be the antithesis of good, logical planning.

Recommendation

One of the reasons Nevada City enjoys such a special reputation is the community's sense of place. Nevada City's "essence" as a small, compact, historic town surrounded by green, wooded hills is embodied in the City's General Plan. **Nevada City's sphere boundary remains an important reason why Nevada City enjoys this reputation.**

Nevada City's Mission Statement and Vision Statements reinforce this focus:

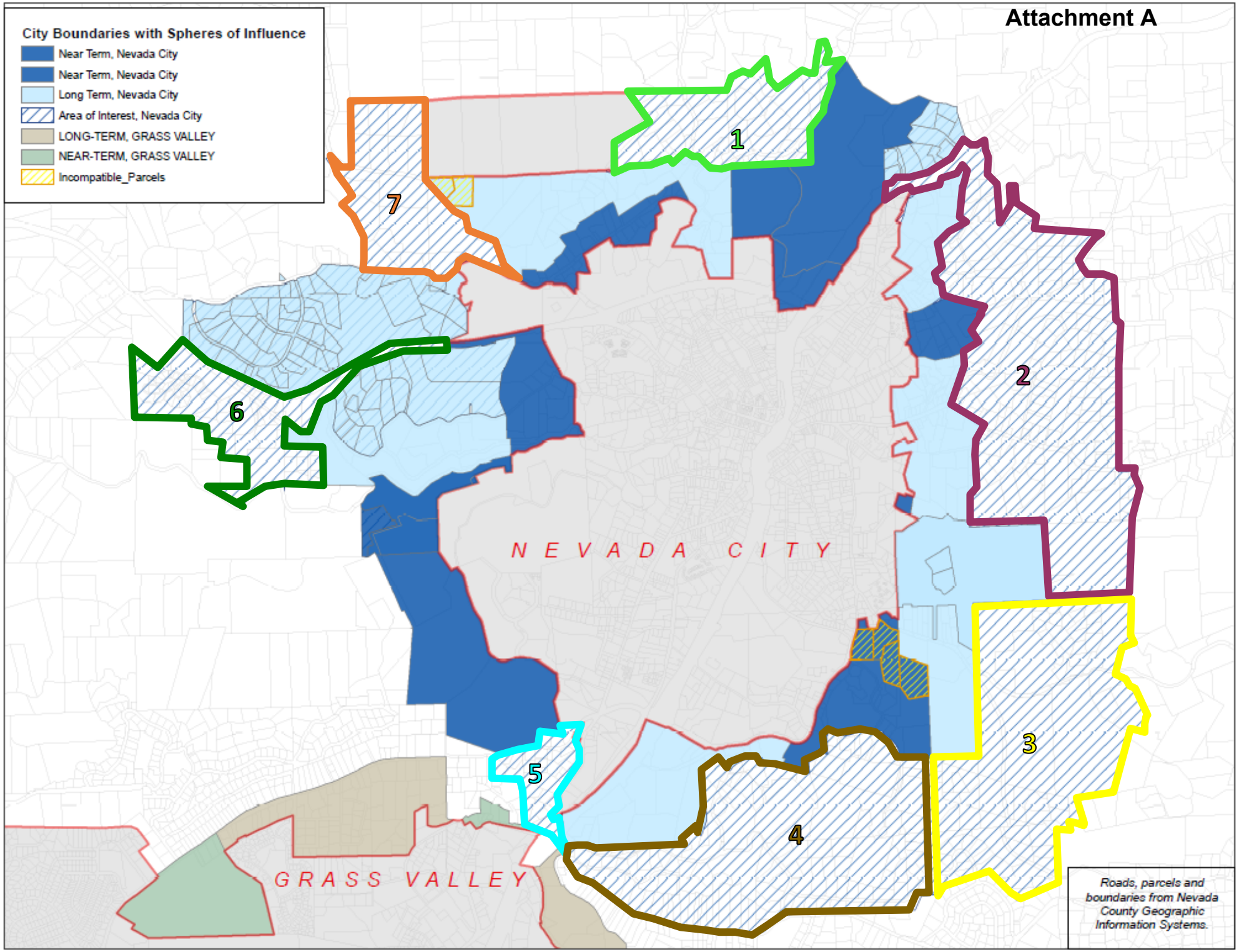
Mission Statement

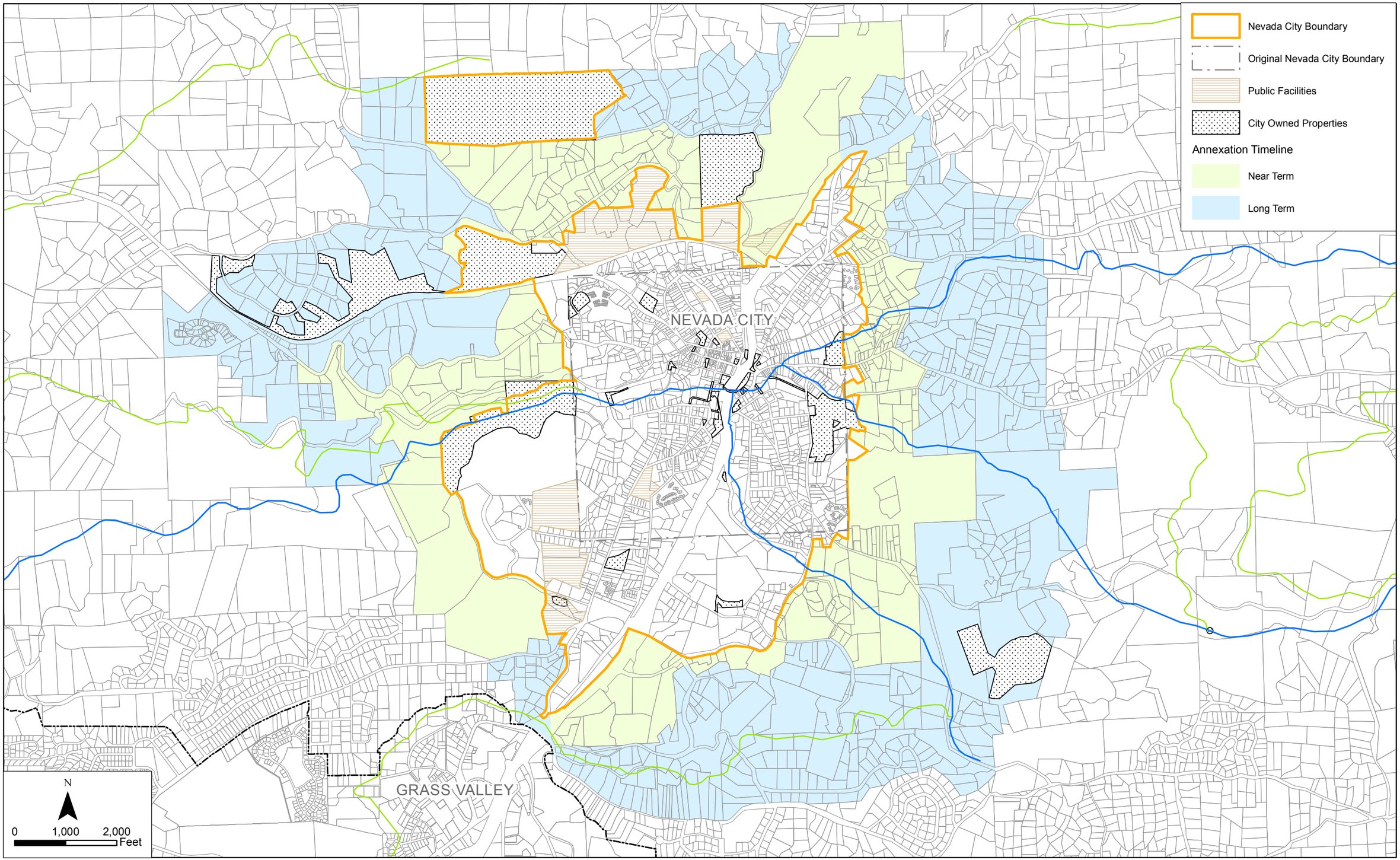
The City of Nevada City is dedicated to preserving and enhancing its small town character and historical architecture while providing quality public services for our current and future residents, businesses and visitors.

Vision Statement

Nevada City, nestled in the Sierra foothills, will be a vibrant, uniquely beautiful small town that balances art and culture, historical preservation and progress.

The City of Nevada City has carefully reviewed the current sphere boundary and recommends the LAFCo Board reconfirm the existing SOI boundary because the current sphere meets each of the four factors outlined above. The attached map provides both Near Term and Long Term recommendations for existing SOI properties (see Attachment B). Alternatively, the City would support the inclusion into the SOI of some or all parcels split by the 2023 Sphere Boundary, especially the parcel which provides the source of the City's water from Little Deer Creek.


Attachment A
City Boundaries with Spheres of Influence
Near Term, Nevada City
Near Term, Nevada City
Long Term, Nevada City
Area of Interest, Nevada City
LONG-TERM, GRASS VALLEY
NEAR-TERM, GRASS VALLEY
Incompatible_Parcels
1
2
3
4
5
6
7
NEVADA CITY
GRASS VALLEY
Roads, parcels and boundaries from Nevada County Geographic Information Systems.

Attachment B

2017 CITY OF NEVADA SPHERE OF INFLUENCE RECOMMENDATION