

**Hillwood Community
Services District
Municipal Service Review
FINAL**

August 2016

EL DORADO LOCAL AGENCY FORMATION COMMISSION

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I EXECUTIVE SUMMARY

State mandates enacted in 2000 establish requirements for a Local Agency Formation Commission to conduct comprehensive reviews of all municipal services (MSRs) in its county. This service review includes a summary and analysis of the Hillwood Community Services District, along with a subsequent update to its sphere of influence. The MSR serves as a basis for the accompanying sphere of influence determinations and considerations for future government reorganizations. The information contained in this document does not explicitly plan for future services, nor will any action or change in services result directly as a result of LAFCO's adoption of the document. This service review provides a description of existing streets and highway related services provided by the district and is inherently retrospective, taking a "snapshot" of existing conditions. However, this document will be used as a guide for future decisions by LAFCO in determining the agency's ability to provide services. The report complies with all guidelines adopted by the Governor's Office of Planning and Research and will be available to other agencies and to the public.

Background

A. Legislative Framework

In 1997, the State Legislature convened a special commission to study and make recommendations to address California's rapidly accelerating growth. The Commission on Local Governance for the 21st Century (CLG) focused energies on ways to empower the already existing Local Agency Formation Commissions (LAFCOs) in California's counties.

The Commission's final report, *Growth within Bounds*, recommended various changes to local land use laws and LAFCO statutes. The CLG determined that LAFCOs needed more specific information in order to make informed decisions on projects that came before them. It was recommended that LAFCOs be required to collect and review the information necessary to guide decisions before specific proposals were made. The CLG concluded that this information was necessary for LAFCOs to encourage orderly growth and to provide planned, well-ordered, efficient urban development patterns and to advantageously provide for the present and future needs of each county and its communities. Specifically, the CLG recommended that information on public service capacity and issues be gathered through periodic service reviews. These service reviews would ultimately constitute a statewide body of knowledge that could be used to resolve California's growth-related public service issues. Based on these recommendations, the State Legislature enacted Government Code §56430 as part of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act).

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§56430 of the CKH Act lists the following factors which must be addressed as part of this MSR.

- (1) Growth and population projections for the affected area.
- (2) The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.
- (3) Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies, including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.
- (4) Financial ability of agencies to provide services.
- (5) Status of, and opportunities for, shared facilities.
- (6) Accountability for community service needs, including governmental structure and operational efficiencies.
- (7) The potential effect of agency services on agricultural and open space lands.

B. Relationship Between Spheres of Influence and Service Reviews

The CKH Act requires LAFCOs to develop and determine the sphere of influence (SOI) for each applicable local governmental agency that provides municipal services. Government Code §56076 defines a SOI as “a plan for the probable physical boundaries and service area of a local agency.” §56430 requires MSRs to be conducted prior to, or in conjunction with, SOI updates. SOIs must be reviewed and updated, as necessary, not less than once every five years according to Government Code §56425 and El Dorado LAFCO Policy 4.2.

The information and determinations contained in an MSR are intended to guide and inform SOI decisions. MSRs enable LAFCO to determine SOI boundaries and to establish the most efficient service provider for areas needing new service. They also function as the basis for other government reorganizations.

In addition to the factors in Government Code §56425 and §56430, the Commission’s Policies and Guidelines Section 4.4 require that it make the following determinations prior to establishing a sphere of influence:

- (1) The service capacity, level and types of services currently provided by the agency and the areas where these services are provided.
- (2) Financial capabilities and costs of service.
- (3) Topographic factors and social and economic interdependencies.

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- (4) Existing and planned land uses, land use plans and policies; consistency with county and city general plans and projected growth in the affected area.
- (5) Potential effects on agricultural and open space lands.
- (6) A description of the services that will be provided to any areas which may be added to the sphere and the timing and method for funding expansion of facilities or services.
- (7) An analysis of the effects a proposed sphere of influence on other agencies and their service capabilities.

C. Service Review Guidelines

The Governor's Office of Planning and Research (OPR) was directed by statute (§56430) to prepare guidelines to assist LAFCOs in complying with the service review requirements. The final *Local Agency Formation Commission Municipal Service Review Guidelines* was released in August 2003. OPR's intent in developing these guidelines was "to provide a structure to assist LAFCOs to carry out their statutory responsibility of promoting orderly growth and development, preserving the state's finite open space and agricultural land resources, and working to ensure that high quality public services are provided to all California residents in the most cost effective and efficient manner." These guidelines, along with El Dorado LAFCO's local policies for service reviews (Policy 5 et seq.), were utilized in the preparation of this service review document.

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II AGENCY DESCRIPTION

Hillwood Community Services District

Contact Information

Address: P.O. Box 381
Shingle Springs, CA 95682
Phone: (530) 677-3850
Website: www.hillwoodcsd.org (No longer updated)

Management Information

Board of Directors: Stan Stailey, Chair 2015-2019
Michael Seligsohn, Vice Chair 2013-2017
Michael DaRonco, Director 2015-2019
Joanne Pryor, Director 2015-2019
John Rozowski, Director 2013-2017
Board Meetings: Quarterly – January, April, July (Budget), October
Staff: Ron Kuch, General Manager
Louise Rozowski, District Secretary

Service Information

Empowered Services: Road and Road Maintenance
Services Provided: Road and Road Maintenance
Latent Powers: N/A
Area Served: 168 parcels, 390 acres
Population Served: 251 Registered Voters
Major Infrastructure: Abilene Way, Clare Drive, Cousins Court, Creekside Drive, Hart Drive, Hillwood Drive, Holly Drive, Mac Lane, Monarch Lane, Sunnyside Drive, Tom and Dee Lane, Trotter Lane and Woodside Way

Fiscal Information

Budget (2014-2015): \$87,407 total
Sources of Funding: Property Taxes, Special Assessment
Assessments: \$500 Special Assessment: Monarch-Woodside Road Improvement Group Benefit Assessment District only

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Background

The Hillwood Community Services District (Hillwood CSD) is a single-purpose special district in the Shingle Springs area. The CSD was formed in 1969 under the Community Services District Law (Government Code §6100, et seq.), which is the principal act that forms the statutory basis for governing the District. Hillwood CSD is authorized to provide road maintenance and related services to District roads within its jurisdictional boundaries. The District’s mission statement is, “*To maintain and improve the roads within the Hillwood Community Services District, striving to provide reasonable safety for public travel, while fostering a spirit of community involvement.*”

Road maintenance services are necessary to ensure that roadways remain in acceptable usable condition for residents and visitors to the area. Maintenance projects are responsive to local conditions; service needs vary from year to year based on roadway conditions and usage, available funding, and level of priority in comparison with other projects.

Board of Directors

Hillwood CSD is an independent special district, governed by a Board of Directors that acts as the authoritative and legislative body of the entity. The Board of Directors is composed of five members, required to live within District boundaries, elected by the registered voters within the District to four-year staggered terms. Board elections are held during odd year elections, with two or three terms expiring at the same time. Occasionally, a two-year term will be up for election when a member of the board is appointed to a vacant seat. Board positions are unpaid.

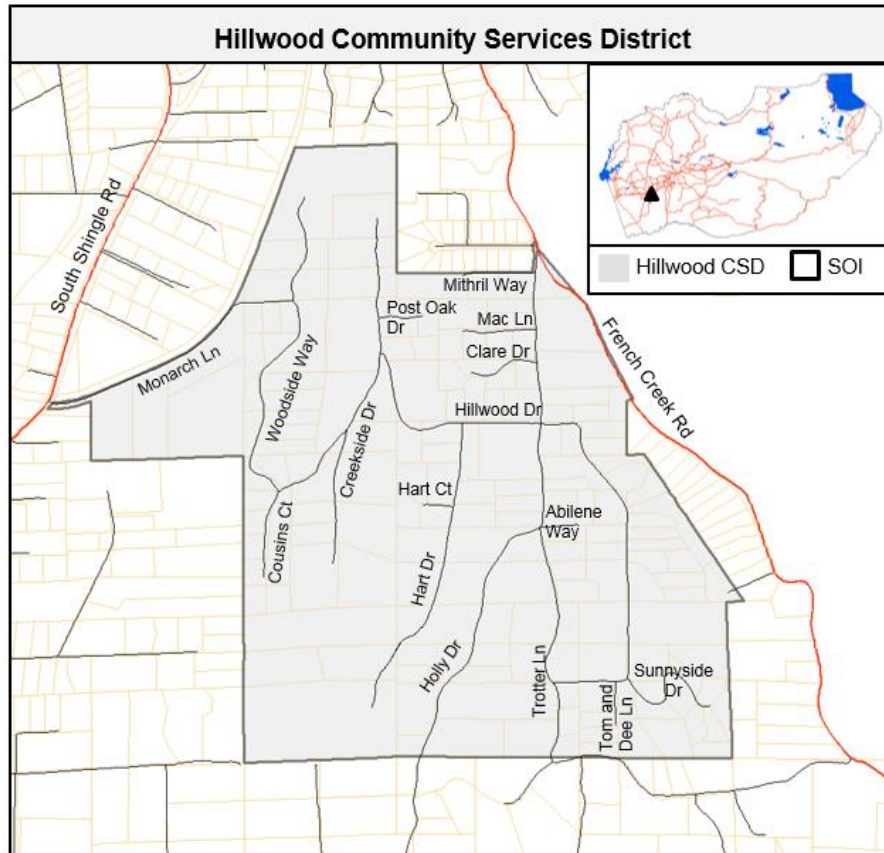
Board meetings are held quarterly, typically in the months of January, April, July (budget hearing) and October. Meetings are typically held at 6:30 pm at the Shingle Springs Fire Station (El Dorado County Fire Protection District, Station 28) at 3860 Ponderosa Road, which is free to the District. Meeting notices are posted on the District sign boards at the entrances to the District approximately two weeks prior to the board meeting; agendas are posted 72 hours in advance. Board meetings and notices appear to be consistent with Brown Act requirements which govern open meetings for local government bodies. There appear to be ample opportunities for public involvement and input at meetings.

Service Area

Hillwood CSD is located south of Shingle Springs, on the west side of French Creek Road, half a mile south of Mother Lode Drive. The District is responsible for the maintenance of approximately six miles of roadway, which provide access to 168 residential parcels: Abilene Way, Clare Drive, Cousins Court, Creekside Drive, Hart Court, Hart Drive, Hillwood Drive, Holly Drive, Mac Lane, Monarch Lane, Post Oak Drive, Sunnyside Drive, Tom and Dee Lane, Trotter Lane and Woodside Way.

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Hillwood Community Services District Boundaries:



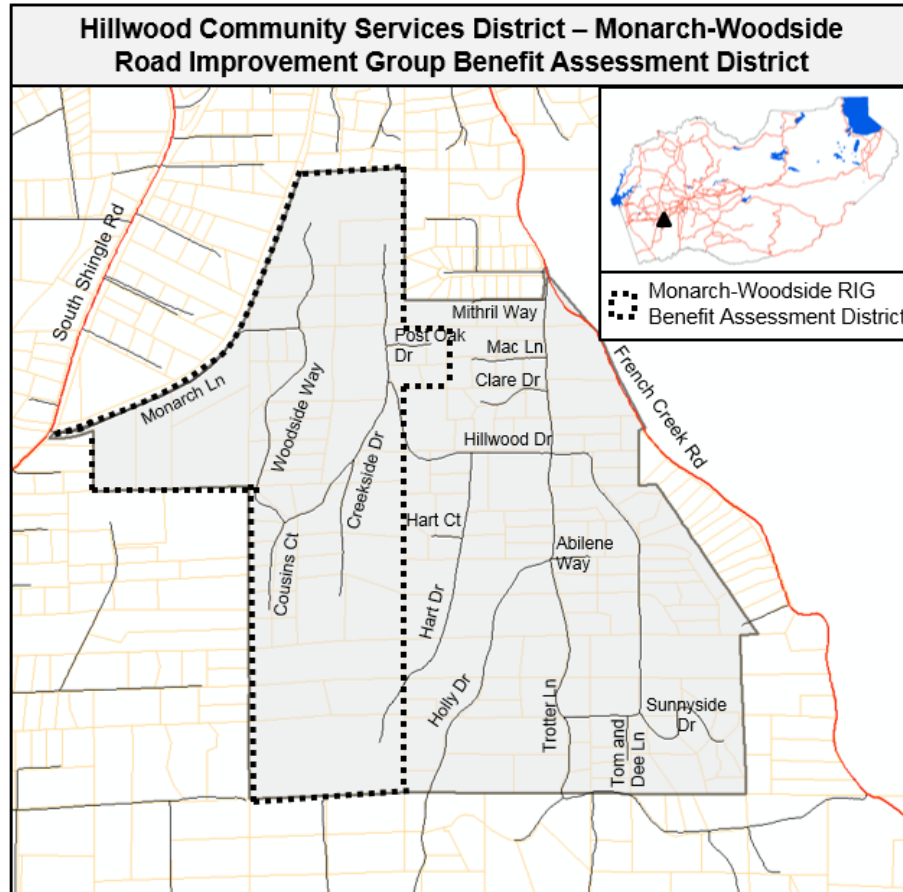
Monarch-Woodside Road Improvement Group

In 2008, residents on the western side of the District voted to create the Monarch-Woodside Road Improvement Group (MWRIG), a designated Benefit Assessment District under the Hillwood CSD governing board. The residents of the MWRIG voted to levy a benefit assessment of up to \$500 per parcel within the set MWRIG geographical boundary to pay for an increased level of road maintenance. Funds collected from the special benefit assessment can only be spent within the boundaries of the Monarch-Woodside RIG, which includes approximately 1.5 miles of road. The additional revenue collected within the MWRIG has allowed the District to complete road widening and paving overlay, drainage work and other routine maintenance work at a rate much faster than would have been possible with property tax revenue alone.

The MWRIG includes 58 parcels on the western side of the District and is responsible for the maintenance of Monarch Lane from South Shingle Road, Woodside Way, Cousins Court, and Creekside Drive where it meets lower Hillwood and other small streets in that area.

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Monarch-Woodside Road Improvement Group Boundaries:



In order to maintain the improvements within the MWRIG Benefit Assessment District the Board of Directors of the Hillwood CSD annually levies and collects special assessments, pursuant to the Benefit Assessment Act of 1982 (California Government Code §54703, et seq.).

In accordance with the provisions of §54716 of the 1982 Act, an engineer's report is prepared annually for the MWRIG. The report describes the District, the improvements therein, any annexations or other modifications to the District including any substantial changes to the improvements, the method of apportionment, the boundaries of the District, and financial information including the district budgets and proposed annual assessments for the current fiscal year. The proposed assessments are based on the historic and estimated costs to maintain the improvements that provide a special benefit to properties within the District. The costs of improvements and the annual levy including all expenditures, deficits, surpluses, revenues, and reserves are assessed to each parcel within the District proportionate to the parcel's special benefits.

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Holly-Hillwood Service Area

The remaining District area to the east that is not included in the MWRIG is referred to as the “Holly-Hillwood” area. The result is two distinct service areas that receive different levels of service according to the residents’ preferences and willingness to pay a special assessment for increased road services. All road maintenance in the Holly-Hillwood portion of the District is funded by District-wide property taxes; the area does not have a special assessment. Funds within the Holly-Hillwood side of the District are tight, however attempts to increase taxes district-wide have met great resistance.

The Holly-Hillwood area includes the remaining 110 parcels on the eastern half of the District, including Abilene Way, Clare Drive, Hart Drive, Hillwood Drive, Holly Drive, Mac Lane, Sunnyside Drive, Tom and Dee Lane and Trotter Lane.

Sphere of Influence Boundaries

The Hillwood CSD sphere of influence (SOI) is coterminous with the District’s service boundaries. The District’s SOI was last updated in December 2007 in conjunction with the *2007 Streets and Highways MSR*, which found that services provided within the District’s existing boundaries were inadequate, and District resources, infrastructure and financing could not support expansion beyond these boundaries. The CSD Board has not expressed any interest in altering the sphere of influence to expand the service area.

Administration

District Staff

District staff includes a General Manager and Secretary, both unpaid positions. The Board appointed a General Manager in 2009 in order to comply with Government Code §61050 (a), which states the board of directors of all CSDs must appoint a general manager who is directly responsible to the board and implements the policies established by the board; the general manager cannot be a member of the board of directors. The General Manager and Secretary are both residents of the District.

Advisory Committees

Technically HCSD has two Advisory Committees, one from the Holly-Hillwood side and one from the Monarch-Woodside side, although neither are currently active. The committees are to be made up of three to five individuals from each respective area, with the purpose of getting together in April/May to review the condition of the roads in their neighborhoods and making recommendations for a prioritized list of repairs to the General Manager by May. The Advisory Committee recommendations are used to prepare the scope of work for the coming year.

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Although the time commitment to serve on an advisory committee is only about 3-4 hours per year, the District still has trouble filling the positions, especially for the Holly-Hillwood Advisory Committee. Both Advisory Committees are currently vacant.

Volunteer Support and Donations

Hillwood CSD occasionally receives support from community volunteers who provide time, professional skills, labor and sometimes even materials without cost to the District. These volunteers help the District keep costs down for all residents. The members of the Board of Directors and Advisory Committees are also volunteers and accept no compensation for volunteering their time, effort and expertise to the District.

In response to resident donations for road repairs, the Board has created an “Adopt a Pothole Program” which allows residents to donate funds to be placed into the general road repair fund or specified for use in a particular area.

District Website and Annual Newsletter

Although Hillwood CSD has an established District website (www.hillwoodcsd.org), it has not been maintained or updated with current information since 2013. The website was initially set-up and maintained by a resident who offered to volunteer their time for a period of two years to get the website up and running. Unfortunately the two years has since passed and the District website has not been updated since. This is especially unfortunate given the depth of information previously provided on the website including: upcoming meeting agendas and prior meeting minutes, background information about the District and specific service areas, District budget, announcements and road repair information.

Similarly, in recent years the annual Hillwood CSD newsletter, which was largely published by the efforts of a single volunteer, has gone unpublished since that person no longer volunteers their time for the newsletter. The newsletter, which was available on the district website and mailed out to residents by special request, informed residents of board meetings, road maintenance projects, budgetary matters and general District issues.

Operations

Road Maintenance

District roadways require road maintenance approximately every eight to ten years; however available funding restricts when maintenance can actually occur. Roadway conditions and maintenance are also affected by the topography, weather and natural springs which occur under several areas of road throughout the District. Above-average rainfall conditions cause roadways to require maintenance that is

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more frequent, especially in areas with a steep grade. Roadway repairs are prioritized as needed and completed when the District has accumulated sufficient reserves for repairs. Typical roadway maintenance services include pothole repair, sign maintenance, crack sealing, resurfacing, and roadway reconstruction.

Paving costs continue to increase because they are based on the price of oil, which makes it difficult to fund more intensive road maintenance projects beyond surface repair. The District makes an attempt to carryover funds as much as possible from year to year to accumulate a greater amount to better address roads that have not received much maintenance over the years.

Repairs and maintenance are contracted out on an as-needed basis to private roadway maintenance service providers, which allows the District to provide services without owning or maintaining any facilities or equipment. Contracted services include asphalt patching, asphalt resurfacing, and safety markings. Roadway repairs are determined based on the amount of available funding and the extent of damage to the roadways. Hillwood CSD utilizes a competitive bid process for the maintenance and upgrades of the existing roadways. Requests for proposals are sent out depending on the need and the availability of funds. The competitive bid process is effective in controlling costs, as it allows the District to select the lowest cost, qualified contractor to provide services.

The current roadways are in need of maintenance and improvements, but the necessary additional funds are not always readily available. The deteriorating quality of the roads and the lack of sufficient funding for some necessary improvements indicate that the condition of the roadways will likely continue to degrade in coming years. However, despite revenue challenges, the District has indicated that the roadway infrastructure is adequate for the current users and existing demand.

The adequacy of the District's roadways is generally based on the District's self-assessment, as determined by adherence to local preferences and expectations for roadway quality, repair frequency, and overall roadway operations. There are no countywide standards for roadway repair and maintenance applicable to special districts; thus, it is left to the Hillwood CSD Board to determine the extent of maintenance programs. The CSD has no plans for future expansion of services, major infrastructure, or facilities.

Funding and Budget

Revenues and Expenses

This section analyzes the financial operations of Hillwood CSD, including financial statements, audits, and other budgetary documents, to assess the long-term financial viability of the District. All monetary amounts cited in this section are based on budgetary information received from both the district and the County Auditor-Controller's Office.

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The County handles the District's fiscal administration. All of the District's funds are deposited into the County Treasury and the County Auditor's office manages the District's receivables and payables. The CSD submits payment requests or reimbursements to the County, which in turn sends payments to contractors. Currently, the Hillwood CSD does not have any outstanding debt.

Because the revenue sources and expenditures between the two service areas are distinct from each other, Hillwood CSD adopts two separate budgets annually: the District-wide Hillwood CSD budget and the MWRIG Assessment District budget.

The tables below provide a summary of revenues, expenditures and change in net assets for the past five years for the Hillwood CSD and MWRIG:

Hillwood CSD Budgets – FY 2011-12 to 2015-16:

	2011-12 Actual	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Budgeted
Carryover Fund Balance	\$1,230.38	\$0.00	\$1,441.88	\$308.00	\$0.00
Reserves Rollover	\$3,264.09	\$16,343.35	\$14,532.45	\$22,910.13	\$18,179.48
Property Taxes	\$16,358.00	\$18,025.00	\$16,833.00	\$17,329.00	\$18,743.00
Misc. Revenue	\$0.00	\$1,989.88	\$308.00	\$1,067.00	\$0.00
Total Revenue	\$20,852.47	\$36,358.23	\$33,115.33	\$41,614.13	\$36,922.48
SDRMA Insurance	\$2,725.00	\$2,550.00	\$2,720.00	\$2,794.41	\$1,400.00
Memberships	-	-	\$129.00	\$85.34	\$150.00
Office Expenses	\$221.55	\$103.49	\$76.73	\$76.57	\$150.00
Postage	\$0.00	\$0.00	\$0.00	\$0.00	\$50.00
Professional Services	\$1,206.55	\$1,208.48	\$1,200.00	\$1,200.00	\$1,250.00
Road Maintenance	\$0.00	\$16,428.70	\$5,497.82	\$19,184.38	\$32,690.82
Agency Administration Fees	\$10.64	\$35.23	\$35.10	\$31.95	\$41.00
Equipment Rent/Lease	\$42.00	\$58.00	\$60.00	\$62.00	\$100.00
Special District Election	\$303.38	\$0.00	\$177.75	\$0.00	\$0.00
Appropriation for Contingency	-	\$1,090.66	-	-	\$1,090.66
Total Expenditures	\$4,509.12	\$20,383.90	\$9,896.40	\$23,434.65	\$36,922.48
End of Year Fund Balance	\$15,252.69 June 30, 2012	\$14,532.45 June 30, 2013	\$22,910.13 June 30, 2014	\$18,179.48 June 30, 2015	N/A

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Monarch-Woodside RIG Budgets – FY 2011-12 to 2015-16

	2011-12 Actual	2012-13 Actual	2013-14 Actual	2014-15 Actual	2015-16 Budgeted
Carryover Fund Balance	\$3,750.00	\$50.00	\$0.00	\$0.00	\$0.00
Reserves Rollover	\$8,054.44	\$31,328.44	\$31,528.44	\$16,792.44	\$38,701.44
Special Assessments	\$29,000.00	\$29,000.00	\$29,000.00	\$29,000.00	\$29,000.00
Misc. Revenue	\$0.00		\$0.00	\$0.00	\$0.00
Total Revenue	\$40,804.44	\$60,378.44	\$60,528.44	\$45,792.44	\$67,701.44
Road Maintenance	\$9,426.00	\$28,850.00	\$43,736.00	\$7,091.00	\$66,701.44
Appropriation for Contingency	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00
Total Expenditures	\$9,426.00	\$28,850.00	\$43,736.00	\$7,091.00	\$67,701.44
End of Year Fund Balance	\$31,378.44 June 30, 2012	\$30,528.44 June 30, 2013	\$15,792.44 June 30, 2014	\$37,701.44 June 30, 2015	N/A

Revenue

Property Taxes – The District as a whole is financed almost exclusively through annual property taxes. Hillwood CSD receives an average property tax increment of 6.6524% from each of the 168 properties within the District, which amounts to approximately six and a half cents from every dollar collected in property tax revenue in the area. Property tax revenue is very stable, increasing slightly from year to year as the result of normal increases in property taxes. Property tax revenue funds the operations and administrative functions of the District as a whole, as well as all of the road improvements on the Holly-Hillwood side of the District. District-wide property taxes are also used to fund the annual engineer’s report required to levy a special assessment that is specific to the Monarch-Woodside area.

Special Assessments – Subject to voter approval, special districts have the option to levy an additional assessment upon the parcels within their boundaries. There have been at least two efforts in recent history to levy a District-wide assessment to fund District-wide road improvements; however both efforts failed due to differing resident expectations for maintenance and fees. Residents on the Monarch-Woodside side of the District wanted a higher level of services and were willing to pay for it, while residents on the Holly-Hillwood side were content with the current level of service and were not in favor of paying an additional assessment.

In 2008, residents on the western side of the District formed the Monarch-Woodside Road Improvement Group Assessment District and successfully voted to assess

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itself \$500 per parcel annually, which amounts to \$29,000 annually. This is a special benefit assessment paid only by the parcels within the Assessment District, therefore funds can only be spent on road projects that directly benefit those parcels. The benefit assessment provides approximately \$29,000 annually to facilitate road improvement and repair within the MWRIG zone of benefit.

Assessments are included in the annual tax statement sent by the County Tax Collector. An account exists with the County Auditor's Office to receive those funds, which are accounted for in a separate budget. This annual revenue stream is relatively stable and does not fluctuate from year to year.

Expenses

District expenses are overwhelmingly service-related. Road maintenance expenditures vary significantly from year to year, due to variation in the amounts spent on road maintenance annually. Hillwood CSD expends accumulated funds for roadway maintenance every few years. All administrative costs are paid from the Hillwood CSD budget, including the annual Engineer's Report required to levy the special assessment for the MWRIG Assessment District.

Reserves Rollover

The District's net assets change from year to year, due to the fact that some years the District has higher expenses for roadway maintenance. The District accumulates funds annually and spends the accumulated funds for roadway maintenance every few years.

Financial Audit

The El Dorado County Auditor's Office is responsible for preparing audits for the District. The Auditor's Office is currently working on an updated audit of Hillwood CSD for FY's 2007-08 to present; the most recent Hillwood CSD financial audit available is from FY 2002-03 to FY 2006-07.

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III MSR DETERMINATIONS

As explained in the Executive Summary, State Law requires the Commission to make certain determinations in an MSR (Government Code §56430) and prior to establishing an SOI (Government Code §56425). The Commission's Policies & Guidelines Section 4.4 also requires additional determinations prior to establishing a sphere. To the extent that is feasible, both sets of determinations will be addressed in this section.

1. Growth and population projections for the affected area.
Purpose: To evaluate service needs based on existing and anticipated growth patterns and population projections.

Information in this section addresses #3 and #4 of LAFCO Policy 4.4, which are:

- Topographic factors and areas of social and economic interdependencies.
- Existing and planned land uses, land use plans and policies, consistency with county and city general plans, and projected growth in the affected area.

Hillwood CSD encompasses 168 parcels with approximately 250 registered voters residing within the District. Hillwood CSD does not anticipate any significant future growth, population increases, or changes in land uses within the District. The majority of the parcels within the District are already developed according to the zoning for the area and the current Hillwood CSD Board has no plans for future expansion beyond the current service boundaries. Current and future land uses are anticipated to remain primarily residential.

2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.
Purpose: To identify the communities within the agency's service area or sphere of influence that have been traditionally unserved or underserved.

Senate Bill 244, which became effective on July 1, 2012, is the State Legislature's attempt to address the issue of poor fringe communities lacking in basic municipal services, despite their proximity to cities and other local agencies providing those services. Among other things, SB 244 was written to assist disadvantaged communities that have been traditionally unserved or underserved. The statute now requires an MSR to 1) identify said communities, and 2) document deficiencies in service related to basic public services, such as domestic water, sanitary sewers, paved streets, storm drains, and street lights. Beyond the MSR process, the bill also encourages local agencies to bring services to the disadvantaged communities up to the same standard as surrounding communities.

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SB 244 focuses on “disadvantaged *unincorporated* communities” (DUCs) and its overall intent is to bring services up to the same standards as other communities by incorporating them (annexing them into a city). That approach is faulty as it applies to El Dorado County for two reasons. First, there are only two cities in El Dorado County and neither is in a financial or geographical position to extend services to all DUCs in the county. Second, in this county it is special districts that provide a significant amount of municipal services, not cities. For these reasons, this MSR will focus on “disadvantaged communities” (DACs), regardless of their location inside or outside a city.

“Disadvantaged communities” are defined as inhabited territory with 12 or more registered voters that constitutes all or a portion of a "disadvantaged community," which is defined in the Water Code to be "a community with an annual median household income that is less than 80 percent of the statewide annual median household income."

A census tract is a geographic area defined by the United States Census Bureau and used for the census. The geographic size of census tracts varies widely depending on the density of population; a census tract typically has around 4,000 residents, but can range from 1,200 to 8,000. Census tracts are further divided into census block groups, generally defined to contain between 600 and 3,000 people, and then finally census blocks for understanding locations in at a community level.

Although the United States Census collects demographic information at all levels, it does not publish demographic information related to income data below the tract level, in order to protect peoples’ privacy.

Consequently, for this report LAFCO relied on data from the following sources:

- GIS layers from the State Department of Water Resources (DWR), based on income data at the Census Block level; and
- The US Census’ DataFERRETT (FERRETT stands for Federated Electronic Research, Review, Extraction, and Tabulation Tool), which allowed LAFCO staff to extract demographic data at the Census Tract level

GIS Layers from the State Department of Water Resources

DWR uses American Community Survey data, presumably at the “Census block” level, which is collected at the individual parcel level and is not openly published. A Census block is two levels lower than a Census Tract, the lowest level to have data available to the public. With assistance from the County Surveyor’s Office, LAFCO staff was able to integrate the DWR’s GIS layers with the County GIS system, resulting in a map of DACs identified by DWR. According to DWR, the Hillwood CSD service area is not part of an identified DAC, nor are there any DACs in the general area surrounding HCSD.

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Census Information from DataFERRETT

DataFERRETT only contains information at the census tract level, which is one level higher than census block group. Hillwood CSD falls into tract 308.04, which stretches south of US Highway 50 from Bass Lake Road to Greenstone Road, to the end of French Creek Road at Brandon Corner. According to DataFERRETT, the medium household income in Tract 308.04 is \$87,139.

According to US Census data, the statewide median household income for 2010-2014 is \$61,489, making the median household income for a disadvantaged community as defined by the Water Code \$49,191. Therefore, neither US Census income data at the tract level, nor DWR's data at the block level, indicates the presence of DACs in Census Tract 308.04.

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

Purpose: To evaluate the infrastructure needs and deficiencies of a district in terms of capacity, condition of facilities, service quality, and levels of service and its relationship to existing and planned service users, especially those in areas that have been traditionally unserved or underserved.

Information in this section addresses #1 and #6 of LAFCO Policy 4.4, which are:

- Service capacity, level and types of services currently provided by the agency, and areas where these services are provided.
- A description of the services that will be provided to any areas which may be added to the sphere and the timing and method for funding expansion of facilities or services.

Hillwood CSD's infrastructure consists of approximately six miles of road, including four primary and eleven secondary roadways. The District contracts with private providers for roadway repairs and maintenance on an as-needed basis and as funding is available, which allows the District to provide services without owning or maintaining any facilities or equipment. Hillwood CSD does not have plans for expansion of infrastructure or facilities.

The District does not have any adopted standards for roadway repair and maintenance, but rather relies on resident preferences and expectations for roadway quality, repair frequency, and overall roadway operations. The roadways are almost always in need of additional maintenance and repairs, especially on the Holly-Hillwood side. Although the two separate service areas within the District receive

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very different levels of service based on different revenue sources, residents on both sides appear to be content with the level of service they receive in relation to the amount of money each landowner contributes.

As detailed in Determination #2, there is no evidence pointing to the presence of a disadvantaged community within or contiguous to the Hillwood CSD sphere of influence. The area is entirely within the El Dorado Irrigation District and the El Dorado County Fire Protection District which provide municipal water and structural fire protection services; there are no needs or deficiencies regarding water service or structural fire protection within or adjacent to the Hillwood CSD service area.

4. Financial ability of agencies to provide services.

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

Information in this section addresses #2 of LAFCO Policy 4.4, which is:

- Financial capabilities and costs of service.

Road maintenance services provided by Hillwood CSD are financed primarily by ad valorem property taxes and parcel assessments. District-wide property taxes fund all of the road services on the Holly-Hillwood side of the District, the administrative functions of the District, and the engineer's report required for the MWRIG special assessment. The \$500 special benefit assessment collected within the MWRIG is used to fund all road improvements within the defined MWRIG area.

Additional financing opportunities may be necessary for the District to continue to adequately provide services. In order to provide a consistent level of road maintenance, the District may need to again consider a District-wide property assessment for a sufficient level of funding for the District, or a special benefit assessment on the Holly-Hillwood side for an amount sufficient for the District to continue at or slightly above the current service level. Most other road maintenance CSDs in the area have property assessments funding roadway maintenance services.

Hillwood CSD appears to utilize a sufficient range of cost avoidance opportunities, including bidding for services and utilizing volunteers to reduce costs. Hillwood CSD uses a competitive bid process for the maintenance and repairs of District roads. Requests for proposals are sent out depending on the need and the availability of funds. The competitive bid process has been effective in controlling costs, as it allows the District to select the lowest cost qualified contractor to provide services.

Costs not directly related to road maintenance have been significantly reduced through the donation of access to office equipment and office supplies by district board members, staff and residents, and many hours of volunteer time needed to comply with the various administrative functions of the District. Members within the

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District have also formed neighborhood work crews for weed removal and ditch clearing, as well as road repair.

No additional significant cost avoidance opportunities have been identified that would result in a significant reduction in costs associated with service provision.

5. Status of, and opportunities for, shared facilities.

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

Hillwood CSD contracts out roadway maintenance and related services to private contractors; the District does not own any facilities and does not share any facilities with another service provider. Hillwood CSD is in close proximity to at least two other local entities which provide similar services; the Holly Drive Road Maintenance Zone of Benefit (County Service Area 9, Zone 11) is directly south of the District, connected by Holly Drive, and Connie Lane CSD is approximately half a mile south of the District. These two entities provide a potential opportunity for shared facilities for the District.

Board meetings are held at the El Dorado County Fire Protection District Station #28 in Shingle Springs, which is available to the CSD at no charge. This use of shared facilities allows Hillwood CSD to focus more of its revenue on road maintenance.

6. Accountability for community service needs, including governmental structure and operational efficiencies.

Purpose: To consider Government structure options, including advantages and disadvantages of consolidation or reorganization of service providers; an evaluation of management efficiencies; and local accountability and governance.

Information in this section addresses #7 of LAFCO Policy 4.4, which is:

- An analysis of the effects of a proposed sphere of influence on other agencies and their service capabilities.

Although Hillwood CSD faces challenges as a local government with regards to limited funding, lack of participation by the majority of the residents, and a road system which needs significant repairs in certain areas, the District appears to operate sufficiently under its existing structure as Community Services District. The structure is sufficient to allow the District to continue service provision in the foreseeable future, although the need for additional funding appears necessary to ensure an appropriate level of service for residents. However, the sustainability of the government structure may be dependent upon the District's ability to pass assessments District-wide. The lack of adequate District-wide financing presents a challenge to provide consistent and timely road maintenance.

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Over the years, the District Board has attempted to address the need for increased funding by levying a District-wide assessment to increase funding to a more appropriate level for District-wide road improvements; however the efforts failed due to differing resident expectations for maintenance and fees. Residents on the Monarch-Woodside side of the District wanted a higher level of services and were willing to pay for it, while residents on the Holly-Hillwood side were content with the current level of service and were not in favor of paying an additional assessment. The result was the creation of the Monarch-Woodside Road Improvement Group Assessment District which includes only the parcels on the western side of the District.

The result is two distinct service areas that receive different levels of service according to the residents' preferences and willingness to pay a special assessment for increased road services. Hillwood CSD collects \$500 per parcel annually in a special benefit assessment for the MWRIG, which is paid only by the parcels within the MWRIG and the funds can only be spent on road projects that directly benefit those parcels. The benefit assessment provides approximately \$29,000 annually to pay for road improvement and repair within the MWRIG zone of benefit. Road improvements on the Holly-Hillwood side is funded by District-wide property taxes, which amount to approximately \$17,000 annually. Property taxes also pay for all administrative functions of the District as a whole, as well as the annual engineer's report required to levy a special assessment that is specific to the Monarch-Woodside area.

Road maintenance on the Holly-Hillwood side of the District would greatly benefit from even a modest special benefit assessment on those specific parcels to bring the available funding up to a level more consistent with that of the MWRIG Assessment District. It would also alleviate inequities within the current financing structure which allocates all of the property tax revenue collected to road maintenance on the Holly-Hillwood side. However in turn, the MWRIG depends on the Hillwood CSD in order to operate as a Benefit Assessment District to levy and collect the special assessment. For the time being, residents on both sides of the District appear content with the level of service they receive at the level of funding they are willing to provide.

7. The potential effect of agency services on agricultural and open space lands.

Purpose: To determine the extent in which the provision of services by the agency, or its potential expansion of services, impact agriculture and open space, both on lands within the agency or surrounding it.

Information in this section addresses #5 of LAFCO Policy 4.4, which is:

- Potential effects on agricultural and open space lands.

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The 2004 General Plan directs unincorporated growth to already existing population centers, or “community regions,” such as the Shingle Springs Community Region. Hillwood CSD is located within the Shingle Springs Community Region. There is a large parcel zoned for Exclusive Agriculture (AE) directly to the east of the District; however, it is unlikely that Hillwood CSD’s services would induce urban growth or the premature conversion of agricultural land to urban uses. Additionally, there is currently an application with El Dorado County Planning to develop the adjacent AE parcel. The CSD has no plans to expand, so there should be no additional impacts to the economic viability of surrounding agricultural operations.

IV SOI DETERMINATIONS

In determining the sphere of influence for each local agency, Government Code §56425(e) requires the Commission to consider and prepare a written statement of determinations with respect to four factors. Staff recommends the following determinations for amending the sphere for the Hillwood Community Services District:

1. The present and planned land uses in the area, including agricultural and open space lands.

Present land uses within the District are primarily residential. All of the parcels within the Hillwood CSD are designated Medium Density Residential (MDR); the majority are zoned RE-5 with the exception of a few which are zoned R1A and one zoned R2A. Land uses surrounding the District are MDR to the north and west and primarily (AE) to the south and east. Planned land uses within the District are anticipated to remain the same.

2. The present and probable need for public facilities and services in the area.

Present needs for public facilities and services are currently being met, although at different levels within the District. The ability of the District to provide continued maintenance of roadways at an acceptable level of service will be dictated by its ability to secure capital necessary to implement an acceptable maintenance schedule. Probable needs for public facilities and services are not currently anticipated to vary from present needs, as future demands are expected to remain the same.

3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.

The present capacity of public facilities currently provided appears to be sufficient for the current level of service demanded by District residents.

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.

There are no social or economic communities of interest in the area. Nearby communities include Shingle Springs to the north.

Based upon the information contained in this report, it is recommended that no changes be made to the Hillwood Community Services District sphere of influence at this time and that the Commission reaffirm the current SOI, which was last updated in December 2007.

V ENVIRONMENTAL REVIEW

The California Environmental Quality Act (CEQA, Public Resources Code §21000 et seq.) requires public agencies to evaluate the potential environmental effects of their actions. Service reviews are intended to support sphere of influence updates, including the creation and amendment of SOI boundaries, as well as other government reorganization proposals. Such activities could influence future growth patterns, and as such are considered discretionary projects under CEQA. LAFCO has the principal responsibility for carrying out and approving this service review and therefore the principal responsibility for preparing CEQA documents as lead agency. The environmental review for El Dorado LAFCO's service review of the Hillwood Community Services District is specific to this study and may differ from the environmental review of other service reviews and other LAFCOs.

Exemption

This MSR and accompanying sphere of influence determinations are statutorily exempt from CEQA under Public Resources Code §15061(b)(3). These activities are covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. The MSR and sphere of influence update have no possibility for causing a significant effect on the environment. Any future projects that make use of this service review and the information contained herein will be subject to separate environmental review under CEQA.

VI **ENVIRONMENTAL JUSTICE**

State law defines environmental justice as “the fair treatment of people of all races, cultures, and incomes with respect to the development, adoption, implementation, and enforcement of environmental laws, regulations, and policies” (Government Code §65040.12(e)). OPR explains that “as the primary agency with responsibility for approving changes in boundaries, LAFCOs play an important role in coordinating growth and ensuring that proposed changes are consistent with environmental justice obligations.” Changes of organization must be consistent with spheres of influence, and the information contained in this service review will guide future updates to agency spheres of influence.

OPR identifies several uses for data obtained in the service review process:

1. Improving the community participation process.
2. Identifying low-income/minority neighborhoods under-served by public facilities and services that enhance the quality of life.
3. Considering the equitable distribution of public facilities and services.
4. Considering infrastructure and housing needs.
5. Identifying low-income/minority neighborhoods where facilities and uses that pose a significant hazard to human health and safety may be over-concentrated.
6. Screening of issues for potential environmental justice implications.

Consideration of the issues listed above will assist LAFCO and other public agencies in identifying, preventing, and reversing historical problems of procedural and geographic inequity. In undertaking this service review and making the determinations, LAFCO used an open public participation process to screen for and identify environmental justice issues.

Demographic data for the study area is limited and generally does not clearly distinguish between population groups of different races, cultures, and incomes. The most recent data available, from the 2010-2014 American Community Survey conducted by the US Census, is displayed in the Table below. At the tract level, the Census area boundaries encompass an area much larger than the Hillwood CSD boundaries, but the data provides a demographic framework for the evaluation of environmental justice issues in the general area.

Hillwood CSD is within census tract 308.04, which encompasses the Shingle Springs area south of US Highway 50, from Bass Lake Road to Greenstone Road, down to Brandon Corner. The Census data shows that within this census tract, whites comprise the largest racial group with almost 92% of the population; the second largest group is Hispanic/Latino of any race at approximately 12.5% of the population (from a racial standpoint, anthropologists and demographers categorize

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most Latinos as white unless a person's primary ancestry can be traced back to Africa).

Census Tract 308.04 Population by Race:

Area	Total	RACE							Hispanic or Latino (Of Any Race)
		White	Black or African American	American Indian and Alaska Native	Asian	Native Hawaiian and Other Pacific Islander	Some Other Race	Two or More Races	
Census Tract 308.04, El Dorado County	6,807	6,253 (91.9%)	55 (0.8%)	198 (2.9%)	104 (1.5%)	0 (0.0%)	0 (0.0%)	197 (2.9%)	851 (12.5%)

Source: 2010-2014 American Community Survey 5-Year Estimates
Percentages may not add due to rounding

Data is available from the California Department of Education regarding ethnicity of student populations within school districts and individual schools. These statistics are based on school attendance areas and school districts. The community of Hillwood CSD is within the Buckeye Elementary attendance zone of the Buckeye Union School District. For the Buckeye Elementary School in the (2014-15) academic year, whites comprise the largest racial group with approximately 76% of the student population; the largest ethnic minority population is Hispanic/Latino with just under 17% of the student population. This demographic data somewhat matches the data from the Census, which suggests that this unincorporated portion of county is relatively homogenous with low numbers of racial or ethnic minorities counted.

Income data available from the 2010-2014 Census indicates the median household income in census tract 308.04 is \$87,139, which is higher than the statewide median household income of \$61,489. Income data available from the census does not suggest that there are low income population concentrations in the countywide study area. While service levels vary greatly within the county, no specific ethnic or economic neighborhoods could be identified by LAFCO staff that are underserved by public facilities. Infrastructure and housing distribution is relatively even throughout the developed areas of the county with much lower levels of infrastructure and housing in the more outlying communities. LAFCO has not found any specific ethnic or economic neighborhoods that are underserved by Hillwood CSD. No low income/minority neighborhoods were identified where facilities and uses pose a significant hazard to human health and safety.

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Finally, the 2004 County General Plan does not address environmental justice directly. Although the Environmentally Constrained Alternative did contain related land use and housing policies, the 1996 Alternative and the 2004 General Plan do not contain those sections. The 2004 General Plan Housing Element includes Goal HO: "To provide housing that meets the needs of existing and future residents in all income categories." The housing element also discusses the following special needs groups: people with disabilities, seniors, agricultural employees, female heads of households, homeless persons, and large families and households. Consequently, the extent that the County's planning documents address environmental justice is in its discussion of these special needs groups.

VII REFERENCES AND SOURCES

General Background Information:

2004 El Dorado County General Plan: A Plan for Managed Growth and Open Roads; a Plan for Quality Neighborhoods and Traffic Relief, adopted July 2004

Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, Government Code §56000-§57550

Local Agency Formation Commission Municipal Service Review Guidelines, Governor's Office of Planning and Research, August 2003

LAFCO Procedures Guide, 2006 Edition, San Diego County LAFCO

Governing and Defining Legislation:

Government Code, Division 3 (Community Services District Act)

Hillwood Community Services District:

2007 Streets and Highway Municipal Services Review, prepared by Pacific Municipal Consultants (PMC) for the El Dorado Local Agency Formation Commission, adopted December 2007

County of El Dorado, Independent Special Districts Fiscal Budgets, Hillwood Community Services District Budget Actuals, Fiscal Years 2011-12, 2012-13, 2013-14, 2014-15, 2015-16

County of El Dorado, Hillwood Community Services District Audit Report on the Financial Statements for Fiscal Years from FY 2002-03 to FY 2006-07

Communications with Louis Rozowski, Secretary, Hillwood CSD