

EL DORADO LOCAL AGENCY FORMATION COMMISSION

TABLE OF CONTENTS

I EXECUTIVE SUMMARY 2

II BACKGROUND..... 4

 A. Legislative Framework..... 4

 B. Relationship Between Spheres of Influence and Service Reviews 5

 C. Service Review Guidelines 6

III AGENCY DESCRIPTION 8

 Knolls Property Owners CSD 8

IV MSR DETERMINATIONS..... 15

V SOI DETERMINATIONS..... 21

VI ENVIRONMENTAL REVIEW..... 22

VII REFERENCES AND SOURCES 23

LIST OF TABLES

Table 1: Three-Year History of District Revenues (Fiscal Years 05/06 – 07/08) 12

Table 2: Three-Year History of District Expenditures (Fiscal Years 05/06 – 07/08) 13

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 Knolls Property Owners Community Services District, along with a subsequent update to its spheres 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 be the direct result of LAFCO's adoption of the document.

This service review provides a description of existing road maintenance 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 expand based on its 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.

As part of the inaugural cycle of municipal service reviews (2001-2008), El Dorado LAFCO contracted with PMC to prepare the *Streets and Highway Services Municipal Services Review*, adopted by the Commission in December 2007, which reviewed all of the road maintenance service providers in the county, including community services districts, cities, and county service areas. However, for the second cycle, LAFCO will utilize a different approach. Each public agency providing road maintenance services under LAFCO jurisdiction will be reviewed in an individual MSR instead of a single comprehensive report. For more detailed information on the other agencies and organizations which contribute towards the maintenance of public roads, please refer to the *2007 Streets and Highway Services Municipal Services Review*.

This MSR and LAFCO's adoption of a subsequent resolution making sphere of influence determinations are statutorily exempt from the California Environmental Quality Act [Class 6, §15061(b)(3)]. In undertaking this service review and making sphere of influence determinations, LAFCO considered its responsibilities under federal and state civil rights and environmental justice laws. The 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.

EL DORADO LOCAL AGENCY FORMATION COMMISSION

The structure of this report is as follows: Section II contains important background information, Section III contains a description of the Knolls Property Owners Community Services District, Section IV contains the service review determinations, Section V contains the sphere of influence determinations, Section VI has the environmental review determinations, and Section VII contains the references.

For each of the six categories of required determinations, staff has prepared recommended determinations recognizing the following: unique land use and planning conditions, government organization and fiscal circumstance that affect the provision of service, effects of rapid demographic changes and growth, communities with different and similar service needs, and efforts to enhance service and impediments to doing so.

II BACKGROUND

A. Legislative Framework

In 1997, the State Legislature established the Commission on Local Governance for the 21st Century (CLG). The CLG was tasked with assessing governance issues and making recommendations, directing special attention to the Cortese-Knox Local Government Reorganization Act of 1985, the then-57 Local Agency Formation Commissions governed by the Act and citizen participation in local government. CLG members included a broad spectrum of constituent groups and perspectives including counties, cities, special districts, educators, industry and elected officials.

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), which became effective on January 1, 2001.

Section 56430 of the CKH Act, in part, states as follows:

- (a) In order to prepare and to update spheres of influence in accordance with Section 56425, the commission shall conduct a service review of the municipal services provided in the county or other appropriate area designated by the commission. The commission shall include in the area designated for service review the county, the region, the sub-region, or any other geographic area as is appropriate for an analysis of the service or services to be reviewed, and shall prepare a written statement of its determinations with respect to each of the following:
 - (1) Growth and population projections for the affected area.
 - (2) Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies.
 - (3) Financial ability of agencies to provide services.

EL DORADO LOCAL AGENCY FORMATION COMMISSION

- (4) Status of, and opportunities for, shared facilities.
 - (5) Accountability for community service needs, including governmental structure and operational efficiencies.
 - (6) The potential effect of agency services on agricultural and open space lands.
- (b) In conducting a service review, the commission shall comprehensively review all of the agencies that provide the identified service or services within the designated geographic area.
- (c) The commission shall conduct a service review before, or in conjunction with, but no later than the time it is considering an action to establish a sphere of influence in accordance with Section 56425 or Section 56426.5 or to update a sphere of influence pursuant to Section 56425.

In addition, several sections of CKH empower LAFCOs to obtain information for service reviews:

- Section 56378 authorizes LAFCOs to initiate and make studies of existing governmental agencies. “In conducting those studies, the commission may ask for land use information, studies, and plans of cities, counties, districts, including school districts, community college districts, and regional agencies and state agencies and departments. (Those agencies) shall comply with the request of the commission for that information...”
- Section 56846 states, “Every officer of any affected county, affected city, or affected district shall make available to a reorganization committee any records, reports, maps, data, or other documents which in any way affect or pertain to the committee’s study, report, and recommendation and shall confer with the committee concerning the problems and affairs of the county, city, or district.”
- Section 56844 authorizes the Commission to undertake a study or report in place of a reorganization committee, thereby transferring those access rights.

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 services or facilities related to development. Government Code §56076 defines a SOI as “a plan for the probable physical boundaries and service area of a local agency.” Service reviews must be completed prior to the establishment or update of SOIs (§56430(a)). Spheres of influence must be reviewed and updated, as necessary, not less than once every five years (§56425). El Dorado LAFCO’s policies already contain the update requirement (Policy 4.2).

The information and determinations contained in a municipal service review are

EL DORADO LOCAL AGENCY FORMATION COMMISSION

intended to guide and inform SOI decisions. Service reviews 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. Section 56430, as noted above, states that LAFCO can conduct these reviews “before, in conjunction with, but no later than the time it is considering an action to establish a SOI.”

The subject service review is being conducted in order to comply with the legislative requirement for LAFCO to complete all MSRs and SOI updates every five years.

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 new service review requirements. In that regard, 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 were utilized in the preparation of this service review document.

The guidelines identify several possible goals and objectives for municipal service reviews to be achieved through written determinations in the six required areas. These goals and objectives are as follows:

- Promote orderly growth and development in appropriate areas with consideration of service feasibility, service costs that affect housing affordability and preservation of open space, important agricultural land and finite natural resources.
- Encourage infill development and direct growth to areas planned for growth in general plans.
- Learn about service issues and needs.
- Plan for provision of high quality infrastructure needed to support healthy growth.
- Provide tools to support regional perspectives or planning that address regional, cross-county or statewide issues and processes.
- Develop a structure for dialogue among agencies that provide services.
- Develop a support network for smaller or ill-funded districts that provide valuable services.

EL DORADO LOCAL AGENCY FORMATION COMMISSION

- Provide backbone information for service provider directories or inventory reference documents for counties that do not have them.
- Develop strategies to avoid unnecessary costs, eliminate waste and improve public service provision.
- Provide ideas about opportunities to streamline service provision through use of shared facilities, approval of different or modified government structures, joint service agreements, or integrated land use planning and service delivery programs.
- Promote shared resource acquisition, insurance policies, joint funding requests or strategies.

The guidelines emphasize that “LAFCOs may need to modify these recommendations to reflect local conditions, circumstances and types of services that are being reviewed.” To that end, El Dorado LAFCO also utilized its own set of policies for service reviews (Policy 5 et seq.), which incorporate the goals and objectives listed above.

EL DORADO LOCAL AGENCY FORMATION COMMISSION

III AGENCY DESCRIPTION

Knolls Property Owners CSD

Contact Information

Address: 4341 Hillock Drive
Placerville, CA 95667

Phone: (530) 622-2093

Website: None

Management Information

Manager: Helen Mitakys

Governing Body: Board of Directors

Board Members: Mickey Sleigh (Chair): Elected 2009 - 2011
Kate Campbell-Craven: Elected 2005 - 2009
Sherry Graf: Elected 2007 - 2009
Darlene Harder: Elected 2005 - 2009
Christy Fitch: Elected 2007 - 2009

Board Meetings: Not Regular

Staffing: None, contracts for services

Service Information

Empowered Services: Road and road maintenance

Services Provided: Road and road maintenance

Latent Powers: None

Area Served: 29 Parcels on approximately 188 acres

Population Served: 53 registered voters

Major Infrastructure: Roadways

Fiscal Information

Sources of Funding: Property assessment and property taxes

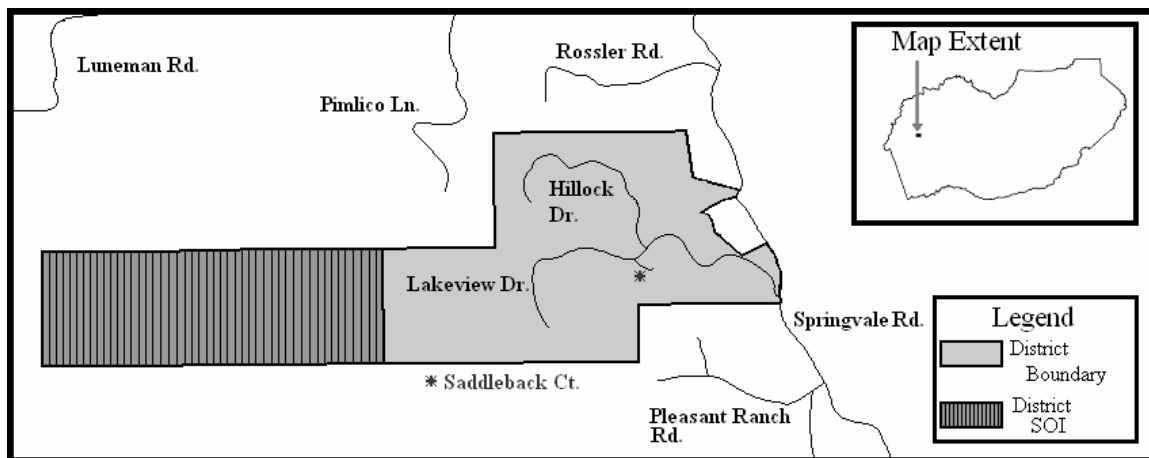
Assessments: \$300 per parcel

Rate Structure: None

EL DORADO LOCAL AGENCY FORMATION COMMISSION

Background

The Knolls Property Owners Community Services District (hereafter referred to as Knolls Property Owners CSD or the District), a 188-acre District, was formed in 1982 to maintain roadways providing access to residential homes located on parcels within the District's boundaries. The District maintains approximately 1.9 miles of roadway, consisting of Lakeview Drive, Hillock Drive, and Saddleback Court. The Knolls Property Owners CSD is located on the west side of Springvale Road, approximately three-quarters of a mile from Lotus Road between the communities of Rescue and Lotus, in El Dorado County. (see map).



Lakeview Drive connects to a public roadway, Springvale Road, and terminates to the southwest. Lakeview Drive is the primary roadway that runs through the District. Hillock Drive and Saddleback Court are dead-end secondary roadways that provide access to more parcels and connect to Lakeview Drive. A driveway leading to the two parcels outside the District Boundary, but within the SOI (Outlying Parcels), connects to the southwesterly portion of Lakeview Drive. The District's sole active power, roadway maintenance services, is authorized under Government Code §61000 et seq. The District does not provide additional services outside of their enabling legislation. Service provided does not extend beyond designated service boundaries. The District is not contracted to provide service to other service providers. Roadway maintenance services are necessary to ensure that roadways remain usable and safe for residents and visitors to the area. The need for services varies from year to year based primarily on roadway usage and weather conditions. Fluctuations in service demand are expected with this type of service, and maintenance activities must be adaptable and responsive to local conditions in order to be effective and efficient.

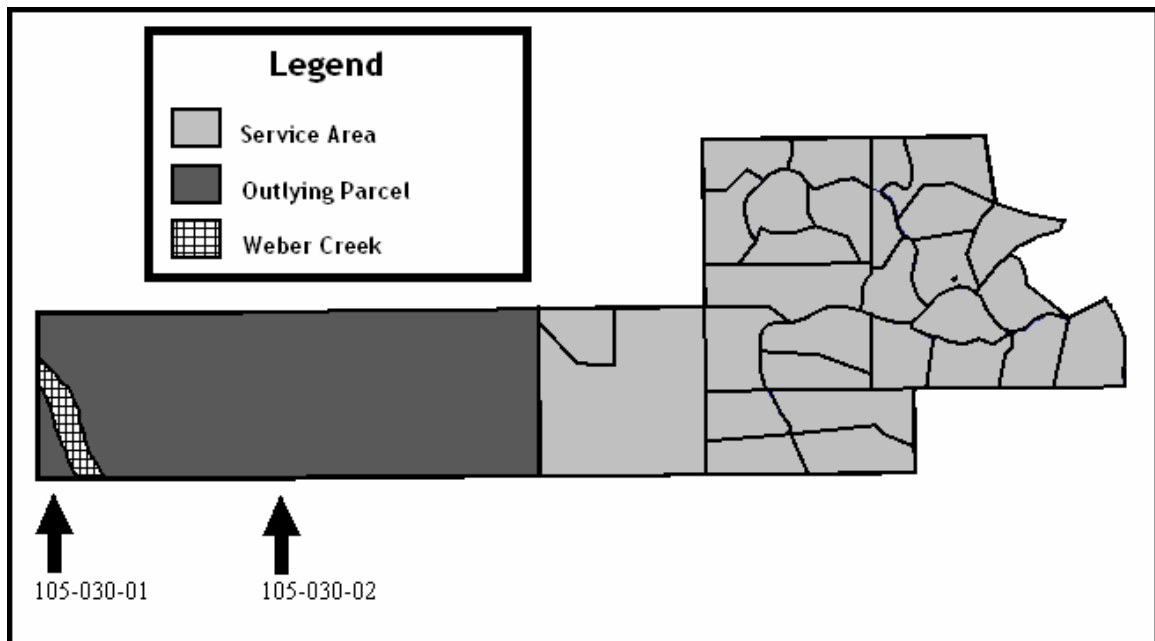
EL DORADO LOCAL AGENCY FORMATION COMMISSION

Population and Growth

The District is currently providing roadway services to approximately 29 parcels within the District's boundaries. The District does not currently anticipate any significant future growth, population increases or changes in land uses within the District. Most of the parcels have been developed according to the zoning for the area.

Current District Sphere of Influence

In 2007, the District requested the expansion of its Sphere of Influence to include a 115-acre area, consisting of two parcels, immediately to the west of its service boundary because the owners of these parcels currently utilize the District's roadways to access their single property. The parcels within the sphere do not currently have any roads, but there is a driveway that is approximately one mile long and branches off Lakeview Drive. This adjacent site is not within another District that provides similar roadway maintenance services, and is currently benefiting from the services provided by the Knolls Property Owners CSD. It is possible that this area may eventually become a part of the District's service boundaries, though there are no immediate plans to annex these parcels. These two parcels are identified by APNs 105-030-01 and 105-030-02 and are bisected by Weber Creek in the south-west corner. Both parcels list the same landowner.



EL DORADO LOCAL AGENCY FORMATION COMMISSION

Infrastructure

The Knolls Property Owners CSD current infrastructure is approximately 1.9 miles of roadway, consisting of Lakeview Drive, Hillock Drive, and Saddleback Court. The District does not have any facilities or equipment. 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 generally accepted countywide standards for roadway repair and maintenance applicable to special districts, thus it is left to each agency to determine the extent of its own maintenance programs. Typical roadway maintenance services include pothole repair, crack sealing, resurfacing, and roadway reconstruction.

Road Maintenance

The roadways are repaired by contractors as needed, based upon the current condition of the roads and available funding. Major repairs to the District's roadways were last performed in 2005. The Knolls Property Owners CSD does not have any standards for roadway repair and maintenance. Rather, the District's board evaluates the current roadways to determine if repairs or overall maintenance is needed based on local preferences and expectations for roadway quality and overall operations. The District's board also determines if residents or contractors need to perform the maintenance or repairs, and then contracts out accordingly. The District has indicated that the current roadways are adequate for the current users and existing demand. The District has no plans for providing additional services or major infrastructure and facilities.

Personnel and Staffing

Under Government Code §61050(a), 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 Knolls Property Owners CSD complies with this Code, its board of directors having appointed a general manager. The District does not employ any additional staff, and contracts for roadway maintenance services, when necessary, directly through the board of directors.

Administration and Management

The Knolls Property Owners CSD is an independent special district, meaning it is governed by a board of directors elected by voters within the district. The board elections are held every two years and board member terms are staggered, with two or three terms maximum expiring at the same time. Board members are comprised of registered voters within the District. Board positions are unpaid.

EL DORADO LOCAL AGENCY FORMATION COMMISSION

Public Meetings are not held according to a predetermined schedule, but rather when deemed necessary by the Board, and are noticed appropriately. Community members are encouraged to participate, and may bring new items to the Board at these meetings, in addition to addressing items on the agenda. At this time, the Board does not have an official vehicle in place to take suggestions from the general public regarding the District other than at noticed meetings.

Funding and Budget

This section analyzes the financial operations of the Knolls Property Owners 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 rounded to the nearest whole number and based on fiscal year (FY) 2008-09 budgetary information received from the County Auditor-Controller's Office.

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 Knolls Property Owners CSD does not have any outstanding debt.

Revenues

Knolls Property Owners CSD is financed primarily through property taxes and property assessments. The District is currently considering its options to identify and determine whether there is a need to increase funds and methods to increase funding, if necessary. No rates are charged and no user fees are collected. Table 1 shows that the District's annual revenues are relatively stable over time, with the exception of annual fluctuations resulting from carryover funds from the previous fiscal year and a slight increase from year to year resulting from normal increases in property taxes. There are no additional factors that are expected to affect the District's revenues.

Table 1: Three-Year History of District Revenues (Fiscal Years 05/06 – 07/08)

Revenues	2005-2006 Actual	2006-2007 Actual	2007-2008 Actual
Fund Balance Available	\$30,611 (70.1%)	\$18,740 (56.8%)	\$30,096 (66.6%)
Taxes	12,303 (28.2%)	12,953 (39.2%)	13,549 (30.0%)
Property Taxes	4,200 (9.6%)	4,554 (13.8%)	4,848 (10.7%)
Direct Assessment	8,050 (18.5%)	8,350 (25.3%)	8,650 (19.2)
SHPTR*	54 (0.1%)	48 (0.1%)	52 (0.1 %)
Penalties/Cost Delinquent Taxes	2 (0.0%)	86 (0.3%)	91 (0.2%)
Interest	731 (1.7%)	1,189 (3.7%)	1,428 (3.2%)
Total Revenues	\$43,647	\$32,967	\$45,164

* State Homeowners Property Tax Relief

EL DORADO LOCAL AGENCY FORMATION COMMISSION

The increase shown in the annual fund balance available is primarily due to varying maintenance needs from year to year and accumulations of previous carryover amounts. In addition to any carryover fund balance from the previous fiscal year, the following sources of revenue are available to Knolls Property Owners CSD:

Property Taxes – During FY 2007-08, Knolls Property Owners CSD received a property tax increment of 11.5432% from each of the 29 parcels within the District service area. This is a little over eleven and a half cents of every dollar collected in property tax revenue. For FY 2007-08, the total property tax collected amounted to \$4,848.

Property Assessments – Subject to voter approval, special districts have the option to levy an additional assessment upon the parcels within their boundaries; Knolls Property Owners CSD collects an assessment of \$300 per parcel, which amounted to \$8,650 in FY 2007-08. This annual revenue stream is relatively stable and does not fluctuate from year to year.

SHPTR and Other Funds – The CSD also received \$52 from the State Homeowners Property Tax Relief program in FY 2007-08, which is additional funding provided to independent special districts to offset the amount of revenue lost from the state homeowner’s tax exemption. Revenue from delinquent taxes within the District is relatively minute.

Interest – The District collected approximately \$1,428 in interest earned from the balance in its operating account. The County Treasury has an annual variable interest rate that is between 1% to 5.5%, depending on how the entire pool of County-controlled funds is invested. The amount received by each independent district whose funds are deposited in the County Treasury is apportioned based on the ratio of the district’s average daily cash balance to the total cash balance within the Treasury.

Expenditures:

Table 2: Three-Year History of District Expenditures (Fiscal Years 05/06 – 07/08)

Expenditures	2005-2006 Actual	2006-2007 Actual	2007-2008 Actual
Services and Supplies	\$24,908 (100%)	\$2,871 (100%)	\$28 (100%)
Maintenance Roads	24,865 (99.83%)	0 (0%)	0 (0%)
Professional Services: Accounting	0 (0%)	2,860 (99.62%)	0 (0%)
Maintenance – Equipment	0 (0%)	0 (0%)	0 (0%)
Miscellaneous Expenses	34 (0.14%)	0 (0%)	0 (0%)
Spec Dept Exp – Agency Adm Fees	9 (0.03%)	11 (0.38%)	28 (100%)
Appropriation for Contingencies	\$0 (0%)	\$0 (0%)	\$0 (0%)
Appropriation for Contingencies	0 (0%)	0 (0%)	0 (0%)
Total Expenditures	\$24,908	\$2,871	\$28

EL DORADO LOCAL AGENCY FORMATION COMMISSION

With no staff or facilities to maintain, almost all of the District's expenses are related to road maintenance and repair. As noted earlier, repairs and maintenance are performed whenever the district accumulates sufficient funds to pay for the job. The last time District made any road repairs was in 2005.

IV MSR DETERMINATIONS

In January 2008, the Legislature consolidated the nine municipal service review factors used in the inaugural cycle down to six. These factors are listed in Government Code §56430:

- (1) Growth and population projections for the affected area.
- (2) Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies.
- (3) Financial ability of agencies to provide services.
- (4) Status of, and opportunities for, shared facilities.
- (5) Accountability for community service needs, including governmental structure and operational efficiencies.
- (6) Any other matter related to effective or efficient service delivery, as required by commission policy. On January 30, 2008, the Commission adopted the following determination as the sixth factor to study: "The potential effect of agency services on agricultural and open space lands."

In addition, 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.
- (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.

To the extent that is feasible, both sets of determinations will be addressed in this section. In addition, the following sections will detail the meaning of each factor and explain how it applies to the Knolls Property Owners CSD.

EL DORADO LOCAL AGENCY FORMATION COMMISSION

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.

Demands for service are not increasing, although slight variations in service demand are to be expected throughout the year as weather conditions and roadway usage change. Because Lakeview Drive is the only access to two parcels within its SOI, the District is indirectly providing roadway service to the property owners of these two parcels, which are currently outside of the service boundary. There are no plans to annex these outlying parcels in the near future. Knolls Property Owners CSD anticipates no significant growth or population increases. Current and future land uses are anticipated to remain primarily residential.

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

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.

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 the 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.

The Knolls Property Owners CSD's infrastructure consists of approximately 1.9 miles of roadway, with one primary roadway, Lakeview Drive. Hillock Drive and Saddleback Court are dead-end secondary roadways that provide access to more parcels and connect to Lakeview Drive. There is also approximately one mile of private road/driveway that leads to the two parcels comprising the District's SOI. This road currently does not receive any maintenance by the CSD, and will not be a factor until the parcels are annexed into the service district. This is not expected to happen for a number of years. The CSD does not own major roadway maintenance equipment and contracts for roadway maintenance and other related services. The District does not have any adopted standards for roadway repair and maintenance; services provided are adequate for the current

EL DORADO LOCAL AGENCY FORMATION COMMISSION

demand, as determined by adherence to local preferences and expectations for roadway quality, repair frequency, and overall roadway operations. Knolls Property Owners CSD does not currently have plans for the imminent expansion of infrastructure or facilities.

3. Financial Ability of the Agency to Provide Services

Purpose: To evaluate factors that affect financing constraints and opportunities, cost avoidance opportunities, and opportunities for rate restructuring.

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

- Financial capabilities and costs of service.

Knolls Property Owners CSD is financed by assessment and property taxes, which are adequate for the District. The Knolls Property Owners CSD does not have outstanding debts. No additional significant financing opportunities have been identified. Fiscal year 2008 budgeted revenues are greater than expenses, but for most years, this is because of the District's practice of delaying projects until it has accumulated sufficient funds to pay for road maintenance and repair. This is easier for Knolls CSD to do than for other jurisdictions because it has no hired staff or equipment and facilities to maintain.

A review of the District's budgets, audits, and financial information indicates that the District operates with a sound financial basis, and that revenues generated appear to be sufficient to cover the expenses of service provision provided the District has sufficient time to save before undertaking major projects. The District has stated that current funding is adequate for the District. No additional financing opportunities have been identified.

The Knolls Property Owners Community Services District does not charge any rates for services, which is appropriate for the type of services provided.

Another dimension related to financial ability is cost avoidance. Cost avoidance opportunities include any potential sources of reduction in costs associated with service provision, and any other capital or operational actions or programs which may result in a more efficient and streamlined provision of services to the properties within the service area. This analysis includes both potential and previously implemented cost avoidance measures.

The Knolls Property Owners Community Services District appears to be utilizing a sufficient range of cost avoidance opportunities, including bidding of contracted services and utilizing contract services to reduce costs. No additional significant cost avoidance opportunities have been identified.

EL DORADO LOCAL AGENCY FORMATION COMMISSION

4. 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.

The District is currently contracting out roadway maintenance and related services to private firms. Since the District does not own or share any facilities with another provider and, other than the County, the District is not in close proximity to any other local entity that provides similar services, there are no opportunities for shared facilities.

5. 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.

The Knolls Property Owners Community Services District is the only agency providing roadway maintenance services within its jurisdictional boundary. The overall management structure of the District is sufficient to perform necessary services and maintain operation in an efficient and effective manner. Other than the County, no other public entity providing similar services is in close proximity. If an alternative governmental structure option becomes necessary, transferring roadway maintenance service responsibilities to either a homeowners' association or the County may be the next best option. A full analysis of the financial and operational impacts of any such transition should be made prior to formal action to change the government structure of the District.

The District, in its current legal form, is able to function under its current governmental structure. The existing structure of the District as a community services district is sufficient to allow it to continue service provision in the foreseeable future. There are no legal or administrative limitations on the District to future service provision.

Transitioning the CSD to another government entity, such as another district or other form of local government, would be unlikely to result in significant efficiencies. It is unlikely that other governmental structures would result in a significant improvement in service. The current governmental structure is appropriate to provide adequate services.

Should financial or operational limitations lead to the District ceasing operations or pursuing options for alternative government structures, a homeowners'

EL DORADO LOCAL AGENCY FORMATION COMMISSION

association may be the next best option to maintain the roadways. While a homeowners' association is considered a non-profit corporation, the association may be able to continue to provide roadway maintenance services. A homeowners' association would allow residents to retain local control and could allow greater flexibility in increasing special assessments to provide additional funding. Because State Law requires public services to remain public, an arrangement would have to be made so that the CSD can dissolve and transfer its responsibilities to another public entity, which, in turn, contracts with the HOA. This may involve the dissolution of the District and transferring roadway maintenance responsibilities to the new homeowners' association through the County, or a contractual relationship in which the District and HOA continue to exist independently, but the CSD exists only to contract with the HOA.

Another alternative government structure, which may offer similar levels of service, is to revert to County maintenance of the District's roadways. The County of El Dorado provides similar services to surrounding roadways, including roadways adjacent to the District's road. A full analysis of the financial and operational impacts of any such transition should be made prior to formal action to change the government structure of the District.

The District has not expressed an interest in altering the current boundaries at this time. Residents within the District appear to be the primary users of the District's roadways, with the exception of two parcels to the west of the service boundary that comprise the District's SOI. Although these parcels use the District's roadways to access their property, there are no roads on those outlying parcels that receive direct benefit from the Knolls CSD. There is no immediate plan to extend services to the SOI, however. The services provided are adequate within the District's existing boundaries and services do not extend beyond designated boundaries. Consequently, the District's service boundaries are appropriate for the current services provided and demanded.

The Knolls Property Owners Community Services District is operating efficiently under its existing structure. Fiscal year 2008-09 budgeted revenues exceed expenditures. The District does not currently employ any staff and contracts for services when needed.

The Knolls Property Owners Community Services District's board is elected by voters within the District. Board meetings appear to be held and noticed consistent with the Brown Act. There appear to be ample opportunities for public involvement and input. No significant issues regarding local accountability were noted.

6. 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.

Present land use in the Knolls Property Owners Community Services District area is rural residential. Future land uses are expected to remain relatively unchanged, with population growth likely consistent with projections for other unincorporated portions of the Western Slope. The 2004 General Plan encourages future development to remain within the rural centers regions such as Rescue and Lotus. While the creation of new roads may lead to development by expanding access to undeveloped parcels, the maintenance of existing roads on an already built-out subdivision in should not introduce growth. Consequently, the District's provision of services should not have an effect on agricultural and open space plans.

V 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 affirming the current sphere for the Knolls Property Owners 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 low density residential, but also include some vacant residential lands and open space. All parcels within the service boundary are zoned RE-5 Low Density Residential, while the two outlying parcels outside the service boundary are zoned RE-10 Rural Residential. Soil is mostly Auburn Very Rocky Silt Loam, with a small amount of Sobrante Silt Loam and Serpentine Rock in the eastern area. Planned land uses are anticipated to remain the same as current land uses.

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. Probable needs for public facilities and services are not currently anticipated to vary significantly 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 Knolls CSD Board has been conservative with expenditures in the District, preferring to build up a good reserve before contracting out for any work to the roadways. The last major repairs and maintenance were done in 2005, with none of the roads currently requiring any work according to the determination of the Board. The present capacity of public facilities provided is sufficient for the current level of service demanded.

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.

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

VI 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. OPR's Service Review Guidelines Chapter 7, *Integrating Municipal Service Reviews with the California Environmental Quality Act*, advises that "no two municipal service reviews will be exactly alike and each needs to be evaluated on its specific merits and characteristics." The environmental review for El Dorado LAFCO's service review of Knolls Property Owners Community Services District is specific to this study and may differ from the environmental review of other service reviews and other LAFCOs.

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.

Exemption

This service review and accompanying sphere of influence determinations qualify for a statutory exemption as outlined in 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.

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 19, 2004

Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, prepared by Assembly Committee on Local Government, last updated November 2008

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

Google Maps, www.maps.google.com

Governing and Defining Legislation:

California Government Code, Title 6 (Districts), Division 3 (Community Services Districts).

Knolls Property Owners Community Services District:

Interview, Telephone Conversations and E-Mail Communication, Mickey Sleigh, Knolls CSD Chair, May 2009 – June 2009.

County of El Dorado, Independent Special Districts Final Budgets, Knolls Property Owners CSD District Budget Actuals, Fiscal Years 2005-06, 2006-07, 2007-08

LAFCO Resolution L-2007-38, Adoption of the Knolls Property Owners CSD Sphere of Influence