

# EL DORADO LAFCO

LOCAL AGENCY FORMATION COMMISSION

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## *AGENDA OF AUGUST 24, 2016*

### *REGULAR MEETING*

**TO:** Ken Humphreys, Chair, and  
Members of the El Dorado County Local Agency Formation  
Commission

**FROM:** José C. Henríquez, Executive Officer

**PREPARED BY:** Erica Sanchez, Policy Analyst

**AGENDA ITEM #7:** PUBLIC HEARING TO CONSIDER THE ENVIRONMENTAL  
REVIEW, MUNICIPAL SERVICE REVIEW AND SPHERE OF  
INFLUENCE UPDATE FOR THE HILLWOOD COMMUNITY  
SERVICES DISTRICT

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#### **RECOMMENDATION**

Staff recommends that the Commission:

1. Receive and discuss the information related to the municipal services review and sphere of influence update for the Hillwood Community Services District;
2. Open the public hearing on this matter;
3. Accept statutory exemption §15061(b)(3) from environmental review as the appropriate environmental review;
4. Adopt Resolution L-2016-04, adopting the municipal service review and sphere of influence update for the Hillwood Community Services District; and
5. Direct staff to complete the necessary filings and transmittals as required by law.

#### **REASON FOR RECOMMENDED ACTION**

The municipal service review (MSR) is required by state law to serve as a guidance document for any future boundary changes to the Hillwood Community Services District (CSD). State law also requires that a MSR be performed before the Commission can update an agency's sphere of influence (SOI). The Commission opened the public comment period on the draft MSR/SOI at the May 25, 2016 Commission meeting; the final MSR and affirmation of the current SOI is now returned to the Commission for adoption.

## **BACKGROUND**

The fundamental role of the Local Agency Formation Commission (LAFCO) is to implement the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act, found in Government Code §56000, et seq.), consistent with the local conditions and circumstances. 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. This MSR analyzes Hillwood CSD's ability to provide road maintenance services within its service area and will assist the Commission and its staff when considering actions that will affect the Hillwood CSD boundaries.

The CKH Act 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 of influence. The following determinations are made within 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.

### **District Profile**

The Hillwood Community Services District was formed in 1969 to provide road maintenance services for approximately six miles of roadway which provide access to 168 parcels in the Shingle Springs area. Hillwood CSD is located on the west side of French Creek Road, half a mile south of Mother Lode Drive.

Hillwood CSD is financed primarily from property taxes and a special benefit assessment, resulting in an annual revenue stream that is relatively stable over time, yet limited. The CSD contracts with private providers for roadway repairs and maintenance on an as-needed basis and as funding is available, which allows the CSD to provide services without owning or maintaining any facilities or equipment. Hillwood CSD 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 CSD accumulates and saves funds annually, then spends the accumulated funds for roadway maintenance every few years as needed.

Hillwood CSD is divided into two distinct service areas which receive different levels of service according to the residents' preferences and willingness to pay a special assessment for increased road services: the Monarch-Woodside area which has a \$500 special assessment per parcel, and the Holly-Hillwood area which does not have any assessments.

The different service areas came about after multiple failed attempts by the CSD Board to levy a district-wide assessment to increase funding to a more appropriate level for district-wide road improvements. CSDs have the authority to levy assessments upon parcels within their boundaries, however it is subject to voter approval. Previous efforts had failed because a majority of the residents within the CSD (primarily on the Holly-Hillwood side) did not support any tax increases to pay for improving roads. Residents on the Monarch-Woodside side of the District wanted a higher level of service and were willing to pay for it, while residents on the Holly-Hillwood side were seemingly 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 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 \$500 per parcel to pay for an increased level of road maintenance within the MWRIG geographical boundary. Funds collected from the 58 parcels within special benefit assessment area can only be spent within the boundaries of the Monarch-Woodside RIG, which includes approximately 1.5 miles of road.

Conversely, residents of the remaining 110 parcels on the eastern side of the District, referred to as the Holly-Hillwood area, have repeatedly resisted past attempts to increase taxes district-wide and there is no special assessment within that area. All road maintenance in that portion of the CSD is funded by district-wide property taxes. Revenue and maintenance projects within the Holly-Hillwood side are much more modest.

### Funding

District-wide property taxes amount to approximately \$17,000 annually, which funds all road improvements on the Holly-Hillwood side of the District, all administrative functions of the District as a whole, and the annual engineer's report required to levy the MWRIG special assessment. The \$500 special benefit assessment collected within the MWRIG provides approximately \$29,000 annually to pay for road improvement and repair within the MWRIG zone of benefit.

While there are inequities with the Monarch-Woodside residents forgoing their property tax revenue, as well as the Holly-Hillwood side paying for the MWRIG engineer's report; there are also benefits realized by both sides. The MWRIG makes up approximately one-third of the parcels within the CSD; MWRIG residents give up approximately \$5,600 in property taxes annually, which benefits the Holly-Hillwood residents. In return, the benefit assessment district depends upon the Hillwood CSD governance structure to levy and collect the special assessment (without which the zone could not exist), pay for the annual engineer's report (approximately \$1,200), and to conduct all of the administrative functions of the zone. Factoring in the administrative costs, the split appears to be fairly even for both sides; the Holly-Hillwood side receives slightly more in monetary benefit, but the Monarch-Woodside side receives more benefit in having the ability to levy and collect a special assessment for an improved level of road services.

### MSR Analysis

The MSR identified several challenges faced by the Hillwood CSD, most notably limited district-wide revenue, a disparity between service areas, lack of participation by the majority of the residents, and a road system which needs significant repairs in certain areas. Road maintenance on the Holly-Hillwood side 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 perceived and real inequities within the current financing structure. However, based on information provided by CSD staff, public meeting minutes and the results of multiple district-wide elections, 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. While it is entirely likely that there exists some level of dissatisfaction regarding the road conditions, it has not been sufficient in the past to entice the majority of the residents to impose a district-wide assessment in order to fund an increased level of service. Given this, the MSR found that the Hillwood CSD provides adequate roadway services for its residents, consistent with the residents' expectations.

An administrative draft, draft and final version of this MSR was sent directly to the CSD Secretary who distributed it to the Board for review. No comments were received from the Hillwood CSD Board or the public during the open comment period on the draft document. After the draft report was made public at the May meeting, Commissioner Anderly submitted comments and questions which are included along with staff's answers as Attachment B.

### Sphere of Influence

Hillwood CSD's sphere of influence is coterminous with its service boundaries; the District has not expressed interest in altering the current service boundaries or sphere of influence. The District's SOI was last updated in December 2007, when it was reduced to have the same boundaries as the District's service area. The Hillwood CSD Board unanimously supported the SOI reduction.

Based on the MSR's findings, staff recommends the affirmation of the current sphere of influence for the Hillwood CSD, which is concurrent to district boundaries.

### Attachments:

Attachment A: Hillwood CSD Municipal Service Review and Sphere of Influence Update (LAFCO Project 2016-01)

Attachment B: MSR Comments and Questions from Commissioner Anderly; Staff Reply

Attachment C: Resolution L-2016-04

Attachment C, Exhibit A: Proposed Hillwood CSD SOI Map