

YOLO LOCAL AGENCY FORMATION COMMISSION

Resolution № 2021-02

Adopting the Municipal Service Reviews (MSRs) for the Cacheville, Esparto, Knights Landing, and Madison CSDs and the Sphere of Influence (SOI) Update for the Esparto CSD (LAFCo No. S-054)

WHEREAS, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 governs the organization and reorganization of cities and special districts by local agency formation commissions established in each county (LAFCo), as defined and specified in Government Code Sections 56000 et seq. (unless otherwise indicated all statutory references are to the Government Code); and,

WHEREAS, Section 56425 provides that LAFCos shall develop and determine the sphere of influence (SOI) of each local governmental agency within their respective counties, and enact policies designed to promote the logical and orderly development of areas within the spheres of influence; and,

WHEREAS, Section 56430 requires that LAFCos conduct a municipal service review (MSR) prior to, or in conjunction with, consideration of actions to establish or update a SOI in accordance with Sections 56076 and 56425; and,

WHEREAS, the Yolo LAFCo conducted a review of the municipal services and SOI of the Cacheville, Esparto, Knights Landing and Madison Community Services Districts (CSDs), and based on the results of the MSRs determined that the SOI for the Esparto CSD should be updated; and,

WHEREAS, staff has reviewed the SOI Update and determined that it does not have the potential to cause a significant effect on the environment, and is therefore not subject to the California Environmental Quality Act (CEQA) in accordance with CEQA Guidelines Section 15061(b)(3), and, based thereon, the Executive Officer will file a Notice of Exemption; and,

WHEREAS, the Executive Officer set a public hearing for January 28, 2021, for consideration of the draft MSR/SOI Update and caused notice thereof to be posted, published, and mailed at the times and in the manner required by law at least twenty-one (21) days in advance of the date; and,

WHEREAS, on January 28, 2021, the draft MSR/SOI Update came on regularly for hearing before Yolo LAFCo, at the time and place specified in the notice; and,

WHEREAS, at said hearing, Yolo LAFCo reviewed the draft MSR/SOI Update, and the Executive Officer's Report and Recommendations; each of the policies, priorities, and factors set forth in Government Code Section 56430 and LAFCo's Guidelines and Methodology for the Preparation and Determination of Municipal Service Reviews and Spheres of Influence; and all other matters presented as prescribed by law; and,

WHEREAS, at that time, an opportunity was given to all interested persons, organizations, and agencies to present oral or written testimony and other information concerning the proposal and all related matters; and,

WHEREAS, the Commission received, heard, discussed, and considered all oral and written testimony related to the SOI update, including but not limited to protests and objections, the Executive Officer's report and recommendations, the environmental determinations, and the MSR.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED that the Yolo Local Agency Formation Commission hereby adopts Resolution 2021-02 adopting the Municipal Service Reviews (MSRs) for the Cacheville, Esparto, Knights Landing, and Madison CSDs and the Sphere of Influence (SOI) Update for the Esparto CSD with the boundaries as shown in Exhibit A, subject to the following findings and recommendations:

FINDINGS

1. Finding: Approval of the Municipal Service Reviews for the Cacheville, Esparto, Knights Landing, and Madison CSDs is consistent with all applicable state laws and local LAFCo policies.

Evidence: The project was prepared consistent with the requirements in the Cortese-Knox-Hertzberg Act for a MSR and all applicable Yolo LAFCo policies and adopted Standards for Evaluation. The MSR includes written determinations as required by Section 56430 of the Cortese-Knox-Hertzberg Local Government Reorganization Act.

2. Finding: Approval of the SOI Update for the Esparto CSD does not have the potential to cause a significant effect on the environment, and is therefore not subject to CEQA in accordance with CEQA Guidelines Section 15061(b)(3) (common sense exemption). A Notice of Exemption will be filed with the County Recorder.

Evidence: An SOI Update is considered a "Project" subject to CEQA. However, in this case approval of the SOI Update for the Esparto CSD does not have the potential to cause a significant effect on the environment, and is, therefore, not subject to CEQA in accordance with CEQA Guidelines Section 15061(b)(3) (common sense exemption). The proposed SOI Update is reducing its size, as compared to the existing SOI, so it will result in less development and potential to impact the environment. Yolo County adopted an updated community plan for Esparto in April 2019 which down zoned some areas back to agricultural uses and reduced the community area due to flooding issues. The existing SOI now exceeds the parcels zoned for development and should be scaled back accordingly. Development of the existing SOI would not result in the loss of prime agricultural land. With LAFCo's action, two parcels are being removed from the SOI. The SOI Update will not be growth inducing or otherwise result in any expansion of use.

3. Finding: Approval of the SOI Update for the Esparto CSD is in compliance with the Yolo LAFCo Project Policies Criteria for Spheres of Influence (Policy 6.3) as follows:

- Retention and strengthening of community identities, as well as increasing efficiency and conserving resources, by providing essential services within a framework of controlled growth;
- Identification of the county's prime agricultural land and protection of this land through all available devices, such as including controlling the provision of services, requiring infill development first, and preferring non-prime land for growth. Other open-space resources such as stream banks, flood plains, and present and future recreation areas should also be protected for public benefit;

- Creation of realistic and controlled, yet flexible, planning areas into which anticipated services can be expanded as growth requires and as the communities' resources provide;
- Provision of infrastructure systems such as streets, sewers, water, open space for parks and recreation as a product of growth, rather than growth inducing;
- Encouragement of city annexation or incorporation as a means of supplying the full range of urban services as required; and
- Evaluation of the availability and need for basic services in each community and forecast these to meet anticipated population growth, and recommend creation, expansion, consolidation and/or reorganization of districts when need for such change is indicated.

Evidence: Yolo County adopted an updated Community Plan for Esparto in April 2019 which down zoned some areas back to agricultural uses and reduced the community area due to flooding issues. The existing SOI now exceeds the parcels zoned for development and should be scaled back accordingly. The SOI update maintains the Esparto community identity and provides essential services within a framework of controlled growth. Development of the existing SOI would not result in the loss of prime agricultural land. The SOI Update is not growth inducing because it removes parcels from the SOI.

CACHEVILLE CSD RECOMMENDATIONS

1. Yolo County should revise its zoning for the town of Yolo considering the lack of a sewer system to accommodate future development.
2. Prepare a quarterly financial report which presents the CSD's financial condition in a user-friendly way so board members and staff can better understand financial data from the County's financial system. At a minimum the financial data should include a balance sheet, income statement and a budget-to-actual report to detect potential errors.
3. The District should develop oversight procedures over the billing, collection, deposit and accounts receivable functions to ensure that significant fraud would be detected.
4. Once an engineering study for water system upgrades/replacement is completed, the CSD will need to consider if the current rates are sufficient to fund the capital improvement plan.
5. The District should develop accounting, financial, governance and general administrative polices to help guide its decision making in a consistent manner.
6. Consider contracting with one of the other CSD's in the county for shared General Manager services, especially considering the Cacheville CSD's operation would not be full time.
7. According to Government Code Section 61050, the District is required to appoint a general manager.
8. Considering the CSD is on a five-year audit cycle, consider hiring a qualified external person to review CSD finances each year. At a minimum the review should include comparing budgets to actuals, comparing year-end actual account balances to prior years' balances, and analyzing significant differences or changes to detect material errors.
9. Consider shifting to a 2 or 3-year audit cycle in order to be better prepared for state/federal grants, loans or other funding opportunities. In addition, complete record retention for five years can be a challenge.

10. The Cacheville CSD should be applauded for getting its own district website up and running in 2019, however it is a work in progress. The District needs to improve website content (it received a 21% transparency score in 2020). Please reference <https://www.yololafco.org/yolo-local-government-website-transparency-scorecards> for additional content needed.
11. Adopt policies regarding personnel, travel and expense reimbursement, personal use of public resources, and contract bidding (LAFCo has policy templates for use if desired).

ESPARTO CSD

1. Prepare an engineer's report and hold a Prop 218 election in the Zone of Benefit to increase the annual assessment for maintaining the detention ponds and surrounding greenbelt as this service is significantly underfunded (LAFCo's understanding is the election is determined by a simple majority vote).
2. Continue to work with Yolo County and local community organizations to seek ways to maintain the Esparto Community Park without incurring a loss each year.
3. Develop and adopt reserve policies for infrastructure improvements/replacement and for unforeseen/catastrophic expenses.
4. Develop and adopt debt policies.
5. Develop a plan to fund the Esparto CSD's retirement liability and prefund the OPEB liability.
6. Work to improve the ECSD's website transparency content. The Esparto CSD received a 55% transparency score in 2020. Please see the attachments on the latest Web Transparency Scorecard for needed improvements at <https://www.yololafco.org/yolo-local-government-website-transparency-scorecards>.
7. Consider annexing the CSD's waste water treatment ponds so that it no longer needs to pay property taxes.

KNIGHTS LANDING CSD

1. Prepare a comprehensive 5-Year CIP that in addition to water, also addresses the wastewater system and storm drainage infrastructure, that includes ongoing maintenance of all its infrastructure and facilities to get a more complete plan.
2. Install the purchased backup generators to keep the water system operating without power at the Ridge Cut Well #4 site.
3. Develop a plan that would cut costs and maximize revenues to enable future balanced budgets, the creation of a catastrophic reserve to mitigate the impact of unexpected system failures and repairs and to fund reserves for infrastructure improvements and replacement.
4. Develop formal budgeting, accounting and financial reporting policies and procedures in order to provide staff, District board members and the public with complete, accurate, timely and easily understandable financial reports. At a minimum, periodic reporting should include a balance sheet, income statement, budget to actual analysis and comparative data with prior years.

5. Board members must make it a board priority to fully understand the District's current financial condition and make a commitment to make a recovery plan and execute it. The plan should focus on maintaining the current system to serve the citizens of Knights Landing, paying off prior years' deficits and setting aside funds for mitigating unforeseen expenses, system improvements and eventual system replacement. The execution should include periodic monitoring to ensure that progress is on track. State grant funds are available and should be incorporated into this plan.
6. District staff and Board members should become more actively engaged with District finances. A first step would be to be more proactive in seeking assistance, first from Yolo County DFS and, if needed, from external resources. Also, the Board should be more involved with the semi-annual audit by requiring more meaningful financial statements and requesting a more thorough review of procedures and operations.
7. When the draft CIP is finalized and adopted, conduct a rate study to estimate the revenue needed to operate, maintain, and reinvest in the water system. The District should also pursue other funding methods (such as grants and loans) to provide the necessary funds for improvement projects.
8. Develop policies and procedures related to procurement, debt, credit card usage, reimbursements to employees and board members, clothing reimbursement, insurance, reserves, personnel and payroll, board meeting rules, governance and administrative policies, such as records retention and storage, use of vehicles, webpage, cell phone, nepotism, etc. LAFCo has policy templates available.
9. The Knights Landing CSD was notified in 2020 that it was allocated \$177,000 of per capita parks funding from the state. Since the CSD does not own its own park site, it should partner with Yolo County and the school district to direct these funds towards the improvement of the school's field as a park site and not have these one-time funds go unused.
10. If the July 2020 contract with the Madison CSD for general manager and staff services proves to be successful, the KLCSD should consider a consolidation into one agency.
11. Explore shared services with the Esparto CSD to potentially utilize its billing system and determine if this would be cost effective for the KLCSD.
12. Significantly improve Board member training to reduce burnout, turnover, and vacancies.
13. Improve content on the Knights Landing CSD website. The District should be applauded for getting a website up and running in 2019, however, it is still a work in progress and received a 32% transparency score in 2020. Please see the attachments on the latest Web Transparency Scorecard for needed improvements at <https://www.yololafco.org/yolo-local-government-website-transparency-scorecards>.
14. Adopt policies regarding anti-nepotism/non-discrimination, travel and expense reimbursement, personal use of public resources, and contract bidding.

MADISON CSD

1. Include an accounts receivable aging report in the District Board's monthly financial report.
2. Develop reserve policies to mitigate against potential unforeseen catastrophic losses and to finance needed infrastructure improvements.

3. Initiate a rate study that would include the accumulation of funds for the improvements recommended in the latest infrastructure study, fund a catastrophic reserve fund and to fund maintenance of the park.
4. Develop accounting, financial and general administrative polices to help guide its decision making in a rational and consistent manner.
5. Consider consolidation with the Knights Landing CSD (and other CSDs as appropriate) if a shared services contract relationship is determined to be successful.
6. Consider using a different auditor for the Madison CSD's next audit.
7. Improve the CSD's website content to improve from its 2020 score of 32%. Please reference <https://www.yololafco.org/yolo-local-government-website-transparency-scorecards> for additional content needed.
8. The District should adopt policies regarding personnel, travel and expense reimbursement, personal use of public resources, and contract bidding.

PASSED AND ADOPTED by the Yolo Local Agency Formation Commission, State of California, this 28th day of January, 2021, by the following vote:

Ayes:
Noes:
Abstentions:
Absent:

Olin Woods, Chair
Yolo Local Agency Formation Commission

Attest:



Christine Crawford, Executive Officer
Yolo Local Agency Formation Commission

Approved as to form:



Eric May, Commission Counsel

Esparto Community Services District Boundary and Sphere of Influence

