

Municipal Service Review and Sphere of Influence Update for the

Yolo Community Services Districts (CSDs) LAFCo No. S-054

Cacheville CSD
Esparto CSD
Knights Landing CSD
Madison CSD

Public Draft January 6, 2021



YOLO LAFCO MUNICIPAL SERVICE REVIEW/SPHERE OF INFLUENCE STUDY

Municipal Service Review and Sphere of Influence Update for the Yolo Community Services Districts
(LAFCo No. S-054)

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Contents

MSR/SOI BACKGROUND..... 1-1

 ROLE AND RESPONSIBILITY OF LAFCO 1-1

 PURPOSE OF A MUNICIPAL SERVICE REVIEW 1-1

 PURPOSE OF A SPHERE OF INFLUENCE 1-2

 DISADVANTAGED UNINCORPORATED COMMUNITIES..... 1-2

 ORGANIZATION OF MSR/SOI STUDY 1-3

 COMMUNITY SERVICES DISTRICTS IN CALIFORNIA..... 1-3

 FINANCING COMMUNITY SERVICES DISTRICTS..... 1-4

 COMMUNITY SERVICES DISTRICTS – LOCAL CONTEXT 1-4

 AFFECTED AGENCIES 1-6

CACHEVILLE CSD AGENCY PROFILE 2-1

CACHEVILLE CSD MUNICIPAL SERVICE REVIEW 2-3

 POTENTIALLY SIGNIFICANT MSR DETERMINATIONS 2-3

 LAFCO MUNICIPAL SERVICE REVIEW: 2-3

 1. GROWTH AND POPULATION 2-3

 2. DISADVANTAGED UNINCORPORATED COMMUNITIES 2-5

 3. CAPACITY AND ADEQUACY OF PUBLIC FACILITIES AND SERVICES 2-6

 4. FINANCIAL ABILITY 2-10

 5. SHARED SERVICES AND FACILITIES 2-14

 6. ACCOUNTABILITY, STRUCTURE AND EFFICIENCIES 2-15

 7. OTHER ISSUES 2-18

CACHEVILLE CSD SPHERE OF INFLUENCE STUDY..... 2-19

 SPHERE OF INFLUENCE MAP(S) 2-19

ESPARTO CSD AGENCY PROFILE 3-1

ESPARTO CSD MUNICIPAL SERVICE REVIEW 3-3

 POTENTIALLY SIGNIFICANT MSR DETERMINATIONS 3-3

 LAFCO MUNICIPAL SERVICE REVIEW: 3-3

 1. GROWTH AND POPULATION 3-3

 2. DISADVANTAGED UNINCORPORATED COMMUNITIES 3-5

 3. CAPACITY AND ADEQUACY OF PUBLIC FACILITIES AND SERVICES 3-6

 4. FINANCIAL ABILITY 3-10

 5. SHARED SERVICES AND FACILITIES 3-17

 6. ACCOUNTABILITY, STRUCTURE AND EFFICIENCIES 3-17

 7. OTHER ISSUES 3-20

ESPARTO CSD SPHERE OF INFLUENCE STUDY 3-22

 EXISTING SPHERE OF INFLUENCE MAP 3-22

 PROPOSED SPHERE OF INFLUENCE 3-23

 POTENTIALLY SIGNIFICANT SOI DETERMINATIONS 3-23

 1. PRESENT AND PLANNED LAND USES 3-24

 2. NEED FOR PUBLIC FACILITIES AND SERVICES 3-25

 3. CAPACITY AND ADEQUACY OF PROVIDED SERVICES 3-26

 4. SOCIAL OR ECONOMIC COMMUNITIES OF INTEREST 3-27

 5. DISADVANTAGED UNINCORPORATED COMMUNITIES 3-28

KNIGHTS LANDING CSD AGENCY PROFILE 4-1

KNIGHTS LANDING CSD MUNICIPAL SERVICE REVIEW 4-3

 POTENTIALLY SIGNIFICANT MSR DETERMINATIONS 4-3

 LAFCO MUNICIPAL SERVICE REVIEW: 4-3

 1. GROWTH AND POPULATION 4-3

 2. DISADVANTAGED UNINCORPORATED COMMUNITIES 4-5

 3. CAPACITY AND ADEQUACY OF PUBLIC FACILITIES AND SERVICES 4-6

 4. FINANCIAL ABILITY 4-11

 5. SHARED SERVICES AND FACILITIES 4-18

 6. ACCOUNTABILITY, STRUCTURE AND EFFICIENCIES 4-19

 7. OTHER ISSUES 4-22

YOLO LAFCO MUNICIPAL SERVICE REVIEW/SPHERE OF INFLUENCE STUDY

KNIGHTS LANDING CSD SPHERE OF INFLUENCE STUDY 4-24
 SPHERE OF INFLUENCE MAP 4-24
MADISON CSD AGENCY PROFILE 5-1
MADISON CSD MUNICIPAL SERVICE REVIEW 5-3
 POTENTIALLY SIGNIFICANT MSR DETERMINATIONS 5-3
 LAFCO MUNICIPAL SERVICE REVIEW: 5-3
 1. GROWTH AND POPULATION 5-3
 2. DISADVANTAGED UNINCORPORATED COMMUNITIES 5-5
 3. CAPACITY AND ADEQUACY OF PUBLIC FACILITIES AND SERVICES 5-6
 4. FINANCIAL ABILITY 5-9
 5. SHARED SERVICES AND FACILITIES 5-14
 6. ACCOUNTABILITY, STRUCTURE AND EFFICIENCIES 5-15
 7. OTHER ISSUES 5-17
MADISON CSD SPHERE OF INFLUENCE STUDY..... 5-20
 SPHERE OF INFLUENCE MAP 5-20

MSR/SOI BACKGROUND

ROLE AND RESPONSIBILITY OF LAFCO

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, as amended (“CKH Act”) (California Government Code §§56000 et seq.), is LAFCo’s governing law and outlines the requirements for preparing Municipal Service Reviews (MSRs) for periodic Sphere of Influence (SOI) updates. MSRs and SOIs are tools created to empower LAFCo to satisfy its legislative charge of “discouraging urban sprawl, preserving open-space and prime agricultural lands, efficiently providing government services, and encouraging the orderly formation and development of local agencies based upon local conditions and circumstances (§56301). CKH Act Section 56301 further establishes that “one of the objects of the commission is to make studies and to obtain and furnish information which will contribute to the logical and reasonable development of local agencies in each county and to shape the development of local agencies so as to advantageously provide for the present and future needs of each county and its communities.”

Based on that legislative charge, LAFCo serves as an arm of the State; preparing and reviewing studies and analyzing independent data to make informed, quasi-legislative decisions that guide the physical and economic development of the state (including agricultural uses) and the efficient, cost-effective, and reliable delivery of services to residents, landowners, and businesses. While SOIs are required to be updated every five years, they are not time-bound as planning tools by the statute, but are meant to address the “probable physical boundaries and service area of a local agency” (§56076). SOIs therefore guide both the near-term and long-term physical and economic development of local agencies, and MSRs provide the near-term and long-term time-relevant data to inform LAFCo’s SOI determinations.

PURPOSE OF A MUNICIPAL SERVICE REVIEW

As described above, MSRs are designed to equip LAFCo with relevant information and data necessary for the Commission to make informed decisions on SOIs. The CKH Act, however, gives LAFCo broad discretion in deciding how to conduct MSRs, including geographic focus, scope of study, and the identification of alternatives for improving the efficiency, cost-effectiveness, accountability, and reliability of public services. The purpose of a Municipal Services Review (MSR) in general is to provide a comprehensive inventory and analysis of the services provided by local municipalities, service areas, and special districts. A MSR evaluates the structure and operation of the local municipalities, service areas, and special districts and discusses possible areas for improvement and coordination. The MSR is intended to provide information and analysis to support a sphere of influence update. A written statement of the study’s determinations must be made in the following areas:

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; and
7. Any other matter related to effective or efficient service delivery, as required by commission policy.

The MSR is organized according to these determinations listed above. Information regarding each of the above issue areas is provided in this document.

PURPOSE OF A SPHERE OF INFLUENCE

In 1972, LAFCos were given the power to establish SOIs for all local agencies under their jurisdiction. As defined by the CKH Act, “sphere of influence” means a plan for the probable physical boundaries and service area of a local agency, as determined by the commission” (§56076). SOIs are designed to both proactively guide and respond to the need for the extension of infrastructure and delivery of municipal services to areas of emerging growth and development. Likewise, they are also designed to discourage urban sprawl and the premature conversion of agricultural and open space resources to urbanized uses.

The role of SOIs in guiding the State’s growth and development was validated and strengthened in 2000 when the Legislature passed Assembly Bill (“AB”) 2838 (Chapter 761, Statutes of 2000), which was the result of two years of labor by the Commission on Local Governance for the 21st Century, which traveled up and down the State taking testimony from a variety of local government stakeholders and assembled an extensive set of recommendations to the Legislature to strengthen the powers and tools of LAFCos to promote logical and orderly growth and development, and the efficient, cost-effective, and reliable delivery of public services to California’s residents, businesses, landowners, and visitors. The requirement for LAFCos to conduct MSRs was established by AB 2838 as an acknowledgment of the importance of SOIs and recognition that regular periodic updates of SOIs should be conducted on a five-year basis (§56425(g)) with the benefit of better information and data through MSRs (§56430(a)).

Pursuant to Yolo County LAFCO policy an SOI includes an area adjacent to a jurisdiction where development might be reasonably expected to occur in the next 20 years. A MSR is conducted prior to, or in conjunction with, the update of a SOI and provides the foundation for updating it.

LAFCo is required to make five written determinations when establishing, amending, or updating an SOI for any local agency that address the following (§56425(c)):

1. The present and planned land uses in the area, including agricultural and open-space lands.
2. The present and probable need for public facilities and services in the area.
3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
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.
5. For an update of an SOI of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

DISADVANTAGED UNINCORPORATED COMMUNITIES

SB 244 (Chapter 513, Statutes of 2011) made changes to the CKH Act related to “disadvantaged unincorporated communities,” including the addition of SOI determination #5 listed above. Disadvantaged unincorporated communities, or “DUCs,” are inhabited territories (containing 12 or more registered voters) where the annual median household income is less than 80 percent of the statewide annual median household income.

On March 26, 2012, Yolo LAFCo adopted a “Policy for the Definition of ‘Inhabited Territory’ for the Implementation of SB 244 Regarding Disadvantaged Unincorporated Communities”, which identified 21 inhabited unincorporated communities for purposes of implementing SB 244.

CKH Act Section 56375(a)(8)(A) prohibits LAFCo from approving a city annexation of more than 10 acres if a DUC is contiguous to the annexation territory but not included in the proposal, unless an application to annex the DUC has been filed with LAFCo. The legislative intent is to prohibit “cherry picking” by cities of tax-generating land uses while leaving out under-served, inhabited areas with infrastructure deficiencies and lack of access to reliable potable water and wastewater services. DUCs are recognized as social and economic communities of interest for purposes of recommending SOI determinations pursuant to Section 56425(c).

ORGANIZATION OF MSR/SOI STUDY

This report has been organized in a checklist format to focus the information and discussion on key issues that may be particularly relevant to the subject agency while providing required LAFCo’s MSR and SOI determinations. The checklist questions are based on the Cortese-Knox-Hertzberg Act, the LAFCo MSR Guidelines prepared by the Governor’s Office of Planning and Research and adopted Yolo LAFCo local policies and procedures. This report provides the following:

- Provides a description of the subject agency;
- Provides any new information since the last MSR and a determination regarding the need to update the SOI;
- Provides MSR and SOI draft determinations for public and Commission review; and
- Identifies any other issues that the Commission should consider in the MSR/SOI.

COMMUNITY SERVICES DISTRICTS IN CALIFORNIA

A community services district is a California Special District, a form of local government created by a local community to meet a specific need or needs. Inadequate tax bases and competing demands for existing taxes make it hard for cities and counties to provide all the services or the quality of services their citizens desire. When residents want new services or higher level of services, they can form a special district to pay for and administer them.

Unlike most special districts that provide a single service, community services districts are formed through CA Government Code §61000 et seq. to provide multiple services to a community. In fact, community services districts can provide up to 32 different services, such as water, garbage collection, wastewater management, security, fire protection, public recreation, street lighting, mosquito abatement services, etc.

A community services district can consist of any county or counties of an unincorporated territory or incorporated territory of a contiguous or noncontiguous area. It is governed by a board of five directors, elected by resident voter to four year terms. Directors can be elected at large, by divisions or from divisions.

The Community Services District Law (Government Code §61000, et seq.) is the principal act that governs the community services districts (CSDs). Legislators originally passed the CSD Law in 1951 and re-enacted it in 1955. In those 50 years, the Legislature passed scores of amendments to the CSD Law, resulting in a convoluted statute that had more than 300 separate sections. A comprehensive rewrite of the old 1955 law was done in a collaborative effort led by the Senate Local Government, which convened a 19-member working group to review the previous CSD law and recommend revisions. Senator Kehoe amended the results of the Working Group’s advice into Senate Bill 135, the legislative vehicle to rewrite the Community Services District Law. The revisions took effect on January 1, 2006 and now provide a viable local government option for communities in unincorporated areas of the state.

FINANCING COMMUNITY SERVICES DISTRICTS

California State Law (California Government Code section 61115) grants a community services district the authority to establish rates or other charges for services and facilities that the district provides. Charges can be:

- Collected with the rates or charges for any other services and facilities provided by the district, and that all charges may be billed on the same bill and collected as one item; or
- Collected on the tax roll in the same manner as property taxes.

The first financing tool is fees or charges for services provided by the district. The second of these tools are special assessments based on the specific benefit each parcel receives from the improvements. Assessments are a levy against district lands that receive special benefits from operation of the district works. Since Proposition 218 was put into place in 1997, any new or increased assessments may be imposed only if proportional to the special benefits provided supported by a detailed engineer's report, and approved by a majority vote of the affected landowners.

COMMUNITY SERVICES DISTRICTS – LOCAL CONTEXT

Yolo County has four community services districts that provide services to the unincorporated towns of Esparto, Knights Landing, Madison and Yolo (i.e. Cacheville CSD) as illustrated in the map below.

Location Map of Yolo County CSDs



Esparto is the largest of the four communities (i.e. highest number of service connections) and has the most growth potential. And correspondingly, the Esparto CSD (ECSD) is a relatively better funded agency, with more staff capacity and resources. The communities of Knights Landing, Madison and Yolo have either flooding issues and/or land use constraints that limit development, which limits district resources and the number of service connections to spread the costs of needed infrastructure improvements.

Shared services among the CSDs is already occurring among three of the CSDs, including administrative services, billing, equipment and an informal willingness to help each other out when needed. Cacheville CSD is a smaller agency as it provides water services only. The three smaller CSDs also rely to varying degrees on the County for expertise and support applying for grant funding for needed infrastructure improvements, even though CSDs are independent agencies from the County.

The recent economic fallout from the COVID pandemic has affected the CSD's, some more than others. The Governor has issued an emergency order stating utilities cannot be shut off for lack of payment, yet none of the federal CARES Act funding was allocated to special districts. Several CSD's revenues are down as a result, effectively loaning money to customers without healthy reserves to cover costs. The table below shows a snapshot of the socioeconomic status of each community.

Census Designated Place Data Comparison for the CSD's Communities¹

	Yolo (Cacheville CSD)	Esparto	Knights Landing	Madison
Median Household Income	\$77,868 ²	\$75,833	\$42,969	\$41,050
Persons in Poverty	4.7%	10.0%	15.2%	15.7%
High School Degree or Higher	59.1%	83.7%	45.0%	44.9%
Persons Without Health Insurance	0.0%	7.1%	15.1%	11.0%
Median Housing Value	NA ³	\$313,500	\$184,000	\$169,400
Total Housing Units	120	1,105	291	193
Total Businesses ⁴	NA	196	NA	NA
Households w/ Broadband Internet	54.8%	85.2%	52.2%	68.9%

During preparation of this MSR/SOI, LAFCo discovered that the Knights Landing CSD was experiencing significant management and financial issues and helped broker a shared services contract with the Madison CSD to manage and operate it. The interim strategy is to partner two under-resourced districts so they can function better/more efficiently together than separately. If this proves successful, these CSDs (and maybe others too) should consider taking shared services to the next level and consider a legal agency consolidation. Although it will take years for the Knights Landing CSD to turn its finances around and bring its infrastructure maintenance up to where it should be.

Over time, it may make even sense to consolidate all four CSDs into one regional CSD since boundaries can be non-contiguous. However, this evolution will take time for individual district boards to become accustomed to the idea and LAFCo acknowledges it would need to be a collaborative undertaking.

¹ Source: 2015-2019 American Community Survey 5-Year Estimates

² American Fact Finder 2018 American Community Survey and 2017 Economic Census

³ NA indicates the data is not available or was not collected for this CDP (Census Designated Place)

⁴ Source: 2012 Survey of Business Owners: Company Summary

AFFECTED AGENCIES

Per Government Code Section 56427, a public hearing is required to adopt, amend, or revise a sphere of influence. Notice shall be provided at least 21 days in advance and mailed notice shall be provided to each affected local agency or affected County, and to any interested party who has filed a written request for notice with the executive officer. Per Government Code Section 56014, an affected local agency means any local agency that overlaps with any portion of the subject agency boundary or SOI (included proposed changes to the SOI).

The affected local agencies for this MSR/SOI are:

County/Cities:

- City of Davis
- City of West Sacramento
- City of Winters
- City of Woodland
- County of Yolo

K-12 School Districts:

- Davis Joint Unified
- Esparto Unified
- Pierce Joint Unified
- River Delta Unified
- Washington Unified
- Winters Joint Unified
- Woodland Joint Unified

Community College Districts:

- Delta
- Los Rios
- Solano
- Yuba

Special Districts:

- Cemetery District – **Capay, Cottonwood**, Davis, **Knight’s Landing, Mary’s**, Winters
- Community Service District – Cacheville, Esparto, Knights Landing, Madison
- County Service Area - Dunnigan, El Macero, Garcia Bend, North Davis Meadows, **Snowball**, Wild Wings, Willowbank
- Fire Protection District – Capay, Clarksburg, Dunnigan, East Davis, Elkhorn, **Esparto, Knights Landing, Madison**, No Man’s Land, Springlake, West Plainfield, Willow Oak, Winters, **Yolo**, Zamora
- Sacramento-Yolo Port District
- Reclamation District – 150, 307, 537, 730, 765, 785, 787, 827, 900, 999, 1600, 2035
- Yolo County Resource Conservation District**
- Water District – Dunnigan, Knight’s Landing Ridge Drainage, **Yolo County Flood Control & Water Conservation**

Multi-County Districts:

- Dixon Resource Conservation District
- Reclamation District – 108 (Colusa), 2068 (Solano), 2093 (Solano)
- Water District – Colusa Basin Drainage
- Sacramento-Yolo Mosquito and Vector Control District

CACHEVILLE CSD AGENCY PROFILE

The Cacheville Community Services District (CSD) was formed on September 8, 1970 and provides domestic water and street lighting services to the town of Yolo, which is approximately 89 acres in size, and located four miles northwest of the City of Woodland along I-5. The town of Yolo is located along County Road 99W and the Union Pacific Railroad, south of County Road 17 and Washington Street, west of Cache Creek and County Road 98, and north of County Road 97B and Interstate 5. The town was originally a small farming community known as Cacheville.



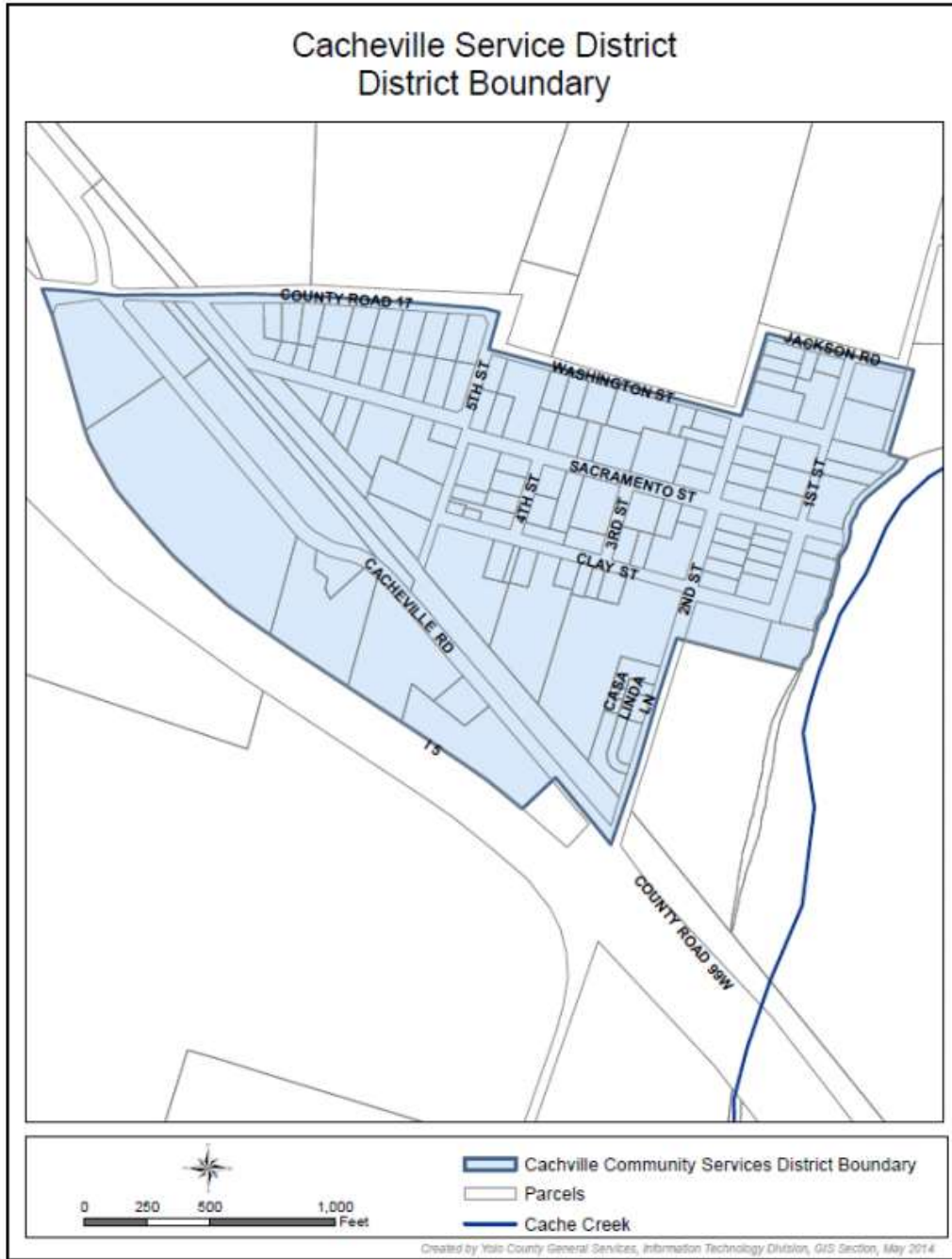
The Cacheville CSD was originally given the ability to provide water and wastewater services to the town of Yolo. However, the District opted not to provide wastewater services, as the community utilizes private septic tanks for wastewater disposal instead. The District added street lighting services in 1978, and acts as a pass through agency for the Pacific Gas and Electric Company (PG&E) to pay for street lighting.

The District's sphere of influence (SOI) is coterminous with the District's boundaries (see map), and there have been no annexations or changes to the District's boundaries since its formation. Currently, the District provides domestic water supply for 126 service connections as well as street lighting services.

The District is governed by a five-member Board of Directors that meets the first Wednesday of every month at 6:00 pm at the Yolo Library. The District employs one part-time Clerk who provides bookkeeping and billing services, and two part-time Water Distribution Operators to ensure coverage at all times as needed.

The District does not have a General Manager on staff and management of the small agency is coordinated by the Board Chair. The District also contracts for legal services with the law firm Gardner, Janes, Nakken, Hugo & Nolan.

Cache Creek High School, a continuation high school, is located in Yolo and is a part of the Woodland Joint Unified School District. Students residing in Yolo go to schools in Woodland, unless high school students attend Cache Creek.



CACHEVILLE CSD MUNICIPAL SERVICE REVIEW

POTENTIALLY SIGNIFICANT MSR DETERMINATIONS

The MSR determinations checked below are potentially significant, as indicated by “yes” or “maybe” answers to the key policy questions in the checklist and corresponding discussion on the following pages. If most or all of the determinations are not significant, as indicated by “no” answers, the Commission may find that a MSR update is not warranted.

- | | |
|---|--|
| <input type="checkbox"/> Growth and Population | <input type="checkbox"/> Shared Services |
| <input type="checkbox"/> Disadvantaged Unincorporated Communities | <input checked="" type="checkbox"/> Accountability |
| <input checked="" type="checkbox"/> Capacity, Adequacy & Infrastructure to Provide Services | <input type="checkbox"/> Other |
| <input checked="" type="checkbox"/> Financial Ability | |

LAFCo MUNICIPAL SERVICE REVIEW:

- On the basis of this initial evaluation, the required determinations are not significant and staff recommends that an MSR is NOT NECESSARY. The subject agency will be reviewed again in five years per Government Code Section 56425(g).
- The subject agency has potentially significant determinations and staff recommends that a comprehensive MSR IS NECESSARY and has been conducted via this checklist.

1. GROWTH AND POPULATION	YES	MAYBE	NO
Growth and population projections for the affected area.			
a) Will the agency’s territory or surrounding area experience any significant population change or development over the next 5-10 years?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Will development have an impact on the subject agency’s service needs and demands?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Will population changes require a change in the agency’s service and/or sphere of influence boundary?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion:

Census Designated Place Data Comparison for the CSD’s Communities⁵

	Yolo (Cacheville)	Esparto	Knights Landing	Madison
Median Household Income	\$77,868⁶	\$75,833	\$42,969	\$41,050
Persons in Poverty	4.7%	10.0%	15.2%	15.7%
High School Degree or Higher	59.1%	83.7%	45.0%	44.9%
Persons Without Health Insurance	0.0%	7.1%	15.1%	11.0%
Median Housing Value	NA⁷	\$313,500	\$184,000	\$169,400
Total Housing Units	120	1,105	291	193
Total Businesses ⁸	NA	196	NA	NA
Households w/ Broadband Internet	54.8%	85.2%	52.2%	68.9%

According to the 2010 Census⁹, the town of Yolo had a population of 450 persons and the Cacheville CSD Board Chair indicated the housing units have not changed much in the last decade¹⁰. According to 2017 American Community Survey, the population of the town of Yolo is estimated to be approximately 70% of the population Hispanic or Latino and 30% White.

a-c) *Will the agency’s territory or surrounding area experience any significant population change or development over the next 5-10 years? Will development have an impact on the subject agency’s service needs and demands? Will population changes require a change in the agency’s service and/or sphere of influence (SOI) boundary?*

No. The unincorporated areas of Yolo County are estimated to have a 1.0% decrease in growth from January 1, 2019 to January 1, 2020¹¹. The lack of a sewer system and the limited capacity of the water system constrains development in the town of Yolo. Although there is highway commercial and single family residential zoning adjacent to the CSD boundaries, the minimum lot size for residential on septic is 2 acres in size, so the zoning would only accommodate approximately 5 lots. Therefore, no significant population change is anticipated.

Growth and Population MSR Determination

The unincorporated areas of Yolo County are estimated to have a 1.0% decrease in growth from January 1, 2019 to January 1, 2020. The lack of a sewer system and the limited capacity of the water system constrains development in the town of Yolo. Therefore, no significant population change is anticipated that would have an impact on the subject agency’s service needs and demands.

⁵ Source: 2015-2019 American Community Survey 5-Year Estimates

⁶ American Fact Finder 2018 American Community Survey and 2017 Economic Census

⁷ Data not available/collected

⁸ Source: 2012 Survey of Business Owners: Company Summary

⁹ American Fact Finder for the Yolo CDP (Census Designated Place), California

¹⁰ Discussion during Cacheville CSD Board Meeting on February 5, 2020

¹¹ Department of Finance City/County Population estimates with Annual Percent Change, January 1, 2019 and 2020

2. DISADVANTAGED UNINCORPORATED COMMUNITIES

The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.

	YES	MAYBE	NO
a) If the subject agency provides public services related to sewers, municipal and industrial water, or structural fire protection, are there any “inhabited unincorporated communities” (per adopted Commission policy) within or adjacent to the subject agency’s sphere of influence that are considered “disadvantaged” (80% or less of the statewide median household income) that do not already have access to public water, sewer and structural fire protection?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) If “yes” to a), it is feasible for the agency to be reorganized such that it can extend service to the disadvantaged unincorporated community? If “no” to a), this question is marked “no” because it is either not needed or not applicable.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion:

- a) *If the subject agency provides public services related to sewers, municipal and industrial water, or structural fire protection, are there any “inhabited unincorporated communities” (per adopted Commission policy) within or adjacent to the subject agency’s sphere of influence that are considered “disadvantaged” (80% or less of the statewide median household income) that do not already have access to public water, sewer and structural fire protection?*

The Cacheville CSD provides municipal water service. The town of Yolo (where the Cacheville CSD is located) is considered an inhabited unincorporated community. However, Yolo is not considered disadvantaged. The median household income statewide in 2019 was surveyed at \$80,440¹² and the median household income in Yolo is \$77,868¹³. Therefore, Yolo does not appear to be considered to be a disadvantaged unincorporated community per state criteria. However, this is based on 2017 economic estimates and also the census designated place boundaries may include additional farmland outside of town.

- b) *If “yes” to a), it is feasible for the agency to be reorganized such that it can extend service to the disadvantaged unincorporated community? If “no” to a), this question is marked “no” because it is either not needed or not applicable.*

The community is served with municipal water and fire protection services, but does not currently receive wastewater services. Instead, the community relies on private septic tanks for its wastewater needs. Yolo County Environmental Health Services has indicated there are no concerns regarding septic systems failing in Yolo. There is no adjacent or nearby agency that provides sewer service (the City of Woodland is closest at approximately four miles away), therefore the town of Yolo does not need wastewater services at this time and is not being passed over for socioeconomic reasons.

Please see Appendix A for a detailed analysis of the fire, water and sewer services available to each of these unincorporated communities. There are no disadvantaged unincorporated communities without these services: (1) within the sphere of influence of another agency that provides them; or (2) where a connection would be feasible due to the distance involved. All disadvantaged unincorporated communities that are adjacent or nearby adjacent municipal services have been connected.

¹² American Community Survey 2019 1-year survey

¹³ American Fact Finder 2018 American Community Survey and 2017 Economic Census

Disadvantaged Unincorporated Communities MSR Determination

The community is served with municipal water and fire protection services, but no wastewater services are available. Instead, the community relies on private septic tanks for its wastewater needs. Yolo County Environmental Health Services has indicated there are no concerns regarding septic systems failing in Yolo and the town of Yolo is not in need of wastewater services. In addition, there is no adjacent or nearby agency that provides sewer service (the City of Woodland is closest at approximately four miles away). The town of Yolo is not disadvantaged and is not being denied municipal services for socioeconomic reasons.

3. CAPACITY AND ADEQUACY OF PUBLIC FACILITIES AND SERVICES

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.

	YES	MAYBE	NO
a) Are there any deficiencies in agency capacity to meet service needs of existing development within its existing territory (also note number of staff and/or contracts that provide services)? Are there any concerns regarding services provided by the agency being considered adequate (i.e. is there a plan for additional staff or expertise if necessary)?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Are there any issues regarding the agency's capacity to meet the service demand of reasonably foreseeable future growth?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c) Are there any significant infrastructure needs or deficiencies to be addressed for which the agency has not yet appropriately planned (including deficiencies created by new state regulations)?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) If the agency provides water, wastewater, flood protection, or fire protection services, is the agency not yet considering climate adaptation in its assessment of infrastructure/service needs?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) Are there any service needs or deficiencies for disadvantaged unincorporated communities related to sewers, municipal and industrial water, and structural fire protection within or contiguous to the agency's sphere of influence?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion:

a) *Are there any deficiencies in agency capacity to meet service needs of existing development within its existing territory (also note number of staff and/or contracts that provide services)? Are there any concerns regarding services provided by the agency being considered adequate (i.e. is there a plan for additional staff or expertise if necessary)?*

Water Service

No. The Cacheville Service District provides domestic water services to residents in the town of Yolo. According to the Final Facility Master Plan (2011)¹⁴, the District owns and operates a community groundwater system that was constructed in the 1970s. The water systems infrastructure includes:

- Two (2) wells- the Washington Well (Well 1) and the Sacramento Street Well (Well 2)

¹⁴ LAFCo recognizes the 2011 Facility Master Plan is outdated, however there is no more current information available and staff confirmed this information is still accurate in a meeting with the Board Chair and Operator on February 5, 2020.

- 4-inch and 6-inch diameter pipes
- 100hp pump
- Two (2) 5,000 gallon hydropneumatic tanks

The Washington Well serves as the primary water source for the Yolo community, and the Sacramento Street Well serves as a backup well. The infrastructure is over 40 years old and has developed leaks due to aging pipes. The connections have water meters, but the CSD charges a flat rate because it does not have the staff to conduct meter reading.

The water system is operated by two part-time certified Water Distribution System Operators. Having two operators has resulted in a more efficient and effective operation of the water system, as they are able to respond to problems promptly, and draw on the shared expertise of two experienced individuals in addressing issues that arise. Both of the District's wells receive chlorination treatments at the well head, and the water system performs satisfactorily. Yolo County Environmental Health confirmed that they currently have no concerns about the adequacy of the community water system in the town of Yolo. There are no outstanding water quality citations or compliance orders for the Cacheville CSD. According to the State Water Resources Control Board's Human Right to Water Portal¹⁵, which provides violation and enforcement actions, the Cacheville CSD has had no violations or enforcement actions for its water system.

The 2011 Final Facility Master Plan reports that the District's water system has the capacity to meet current domestic water demands. The primary well (Washington Well) has a capacity of approximately 1,000 gpm, and the backup well (Sacramento Street Well) has a capacity of 100 gpm, for a combined total capacity of 1,100 gpm. While the District's existing system meets current domestic water demands, the combined pumping capacity of the system (1,100 gpm) is not adequate to meet either residential (1,500 gpm) or commercial (2,500 gpm) fire flow requirements. Increasing the water pressure so that the system can meet fire flow requirements would require upsizing the pipeline diameters throughout the system and upsizing the water pump to improve flow through the system.

Street Lighting Service

No. The Cacheville Service District contracts with Pacific Gas and Electric (PG&E) for streetlight services, including installation and maintenance services. The District largely functions as a pass through agency paying PG&E services by collecting an annual assessment added to property tax bills from the Yolo residents. The CSD will call PG&E when a light bulb has burned out, but that is the extent of these CSD services. LAFCo is not aware of any concerns with capacity or adequacy of street lighting services.

- b) *Are there any issues regarding the agency's capacity to meet the service demand of reasonably foreseeable future growth?*

Yes. According to the Yolo County Adopted Zoning Map, dated July 2014, there is future growth planned outside the town of Yolo. As illustrated below, there is some land zoned for Highway Service Commercial (cross-hatched) and Single Family Residential (in yellow) that is not included in the current CSD boundary or its sphere of influence (SOI) which is shown as the red boundary.

¹⁵ CA Open Data Portal, State Water Resources Control Board Drinking Water - Human Right to Water Regulatory (including Enforcement Actions) Information, last updated Feb 3, 2020



However, according to the Board Chair, the CSD's water system does not have the capacity nor required fire flows to add new service connections. The CSD is concerned additional connections would further compromise system performance. The District would not be able to serve this planned growth unless its system is upgraded per item 3a) below.

If the CSD is able to obtain a grant to upgrade its infrastructure (see 3c below), a new well site would likely be located on the single family residential (yellow) zoned area located southeast of the CSD illustrated above. The CSD may also be willing and able to serve an existing church located on the public/quasi-public (purple) zoned land at the northwest corner of CSD as shown on the map above.

The lack of a sewer system and the limited capacity of the water system constrains development in the town of Yolo. Although there is highway commercial and single family residential zoning adjacent to the CSD boundaries, the minimum lot size on septic is 2 acres in size, so the zoning would only accommodate approximately 5-10 residential lots. Yolo County should revisit its zoning surrounding the town of Yolo considering the lack of a sewer system to accommodate growth.

- c) *Are there any significant infrastructure needs or deficiencies to be addressed for which the agency has not yet appropriately planned (including deficiencies created by new state regulations)?*

No. Although there are significant infrastructure needs or deficiencies to be addressed, the Cacheville CSD is working to address these issues. Yolo County has assisted the CSD with issuing a Request for Qualifications (RFQ) for proposals from qualified engineers and water resource planning Consultants to assist the District with a water resources infrastructure assessment, prioritization of repair/replacement actions, and identification applicable of state and/or federal loans or grants that could be used for water system repairs, replacement, or upgrades. The CSD Board has hired Wood-Rodgers and the study is underway. The CSD hopes to apply for State Water Board loans to replace the system. Because the town of Yolo is not low income, the CSD would need 25%-50% local matching funds and would likely not qualify for a grant (i.e. a loan). As described in the financial section, the CSD has been building its reserve for these anticipated matching funds to help pay for system improvements.

Cost estimates will not be available until the engineering study is completed with an infrastructure assessment, prioritization and replacement cost estimates.

- d) *If the agency provides water, wastewater, flood protection, or fire protection services, is the agency not yet considering climate adaptation in its assessment of infrastructure/service needs?*

No. According to a December 2019 draft Department of Water Resources (DWR) Drought and Water Shortage Risk Score for each small water supplier (1 is the lowest risk and 100 is highest risk, compared to other small water suppliers), the Cacheville CSD has a risk of 17.07, which is relatively low. For comparison, the other CSD's scores are: Esparto 22.53, Knights Landing 70.85 and Madison 68.96 and the overall score range for water suppliers in Yolo County range from 3.69 (UC Davis) to 90.52 (Campers Inn RV & Golf Course located in Dunnigan)¹⁶.

The 2011 Facility Master Plan and LAFCo's 2014 MSR identified that a backup generator should be acquired for system outages. The District indicated for years that a generator is beyond its financial capability. In 2020, the Yolo County Office of Emergency Services (OES) obtained \$100,000 from CalOES funding "Public Safety Power Shutoff (PSPS) Resiliency Funds to purchase a backup generator to improve system reliability. Upon installation, the generator drew too much power and shorted out. The CSD has upgraded the electrical panel and is now waiting for the generator to be repaired under warranty and should be completed in January 2021.

- e) *Are there any service needs or deficiencies for disadvantaged unincorporated communities related to sewers, municipal and industrial water, and structural fire protection within or contiguous to the agency's sphere of influence?*

No. Please see the response to 2c.

Capacity and Adequacy of Public Facilities and Services MSR Determination

The Cacheville Service District provides domestic water services to residents in the town of Yolo. The District owns and operates a community groundwater system that was constructed in the 1970s. The infrastructure is over 40 years old and has developed leaks due to aging pipes. The connections have water meters, but the CSD charges a flat rate because it does not have the staff to conduct meter reading. Although there are significant infrastructure needs or deficiencies to be addressed, the Cacheville CSD is working to address these issues. It has hired an engineering firm to perform an infrastructure assessment, prioritization of repair/replacement actions, and identification applicable of state and/or federal loans or grants that could be used for water system repairs, replacement, or upgrades. The engineering assessment is in process. The CSD hopes to apply for State Water Board loans to replace the system and it is proactively building its reserve for these anticipated matching funds to help pay for system improvements. In 2020, the Yolo County Office of Emergency Services (OES) obtained \$100,000 from CalOES funding "Public Safety Power Shutoff (PSPS) Resiliency Funds to purchase a backup generator to improve system reliability. After some installation issues, the generator should be operational in January 2021.

Capacity and Adequacy of Public Facilities and Services Recommendations

- Yolo County should revise its zoning for the town of Yolo considering the lack of a sewer system to accommodate future development.

¹⁶ DWR Drought and Water Shortage Risk Score for each small water supplier examined, draft dated December 2019

4. FINANCIAL ABILITY

Financial ability of agencies to provide services.

	YES	MAYBE	NO
a) Is the subject agency in an unstable financial position, i.e. does the 5-year trend analysis indicate any issues?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Does the subject agency fail to use generally accepted accounting principles, fully disclosing both positive and negative financial information to the public and financial institutions including: summaries of all fund balances and charges, summaries of revenues and expenditures, five-year financial forecast, general status of reserves, and any un-funded obligations (i.e. pension/retiree benefits)?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
c) Does the agency need a reconciliation process in place and followed to compare various sets of data to one another; discrepancies identified, investigated and corrective action is taken. For small agencies, this would include comparing budgets to actuals, comparing expenses from one year to the next, etc.?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d) Does the agency board fail to receive periodic financial reports (quarterly or mid-year at a minimum); reports provide a clear and complete picture of the agency's assets and liabilities?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e) Is there an issue with the organization's revenue sources being reliable? For example, is a large percentage of revenue coming from grants or one-time/short-term sources?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
f) Is the organization's rate/fee schedule insufficient to fund an adequate level of service, necessary infrastructure maintenance, replacement and/or any needed expansion and/or is the fee inconsistent with the schedules of similar service organizations?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
g) Is the organization needing additional reserve to protect against unexpected events or upcoming significant costs?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
h) Does the agency have any debt, and if so, is the organization's debt at an unmanageable level? Does the agency need a clear capital financing and debt management policy, if applicable?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
i) Does the agency need documented accounting policies and procedures including investments (If not, LAFCo has a sample)? Does the agency segregate financial duties among staff and/or board to minimize risk of error or misconduct? Is there a system of authorizations, approval and verification for transactions?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Discussion:

The District maintains its accounting data on an accrual basis of accounting for the water and lighting activities which is allowed under generally accepted accounting principles (GAAP) for this entity. The accrual basis of accounting focuses on the long-term health of an entity and includes non-cash transactions such as depreciation of capital asset, adjustments to accrued liabilities, such as pension obligation, other post-employment benefits (OPEB) liability and accrued compensated absences. The data presented above is based on the accrual basis data converted to the modified accrual basis. The modified accrual basis of accounting focuses on the near-term financial health of the District. The modified accrual basis of

YOLO LAFCo MUNICIPAL SERVICE REVIEW/SPHERE OF INFLUENCE STUDY

accounting does not include the above-mentioned non-cash transactions but does include the purchase of capital assets and loan principal repayments as expenditures which the accrual basis does not.

**CACHEVILLE COMMUNITY SERVICES DISTRICT
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCE (modified)**

	2015	2016	2017	2018	2019	% of Total
Revenue						
Property tax related revenue	\$ 4,257	\$ 4,303	\$ 4,504	\$ 4,582	\$ 4,789	3.38%
Interest income	1,695	5,137	3,712	7,933	18,112	5.51%
Other non-service revenue	-	-	-	-	1,132	0.17%
Service revenues	119,381	120,232	120,090	122,337	122,097	90.94%
Total Revenue	125,333	129,672	128,306	134,852	146,130	100.00%
Expenses						
Maintenance salaries and benefits	35,881	36,015	35,685	35,453	37,594	34.23%
Clerical salaries and benefits	9,600	9,530	9,452	9,348	9,228	8.94%
Maintenance of systems and equipment	3,811	80,089	2,529	6,882	10,599	19.69%
Laboratory testing and supplies	2,320	3,227	5,016	3,177	6,706	3.87%
Utilities	13,932	15,572	13,987	15,448	13,098	13.65%
Communications	-	-	-	-	1,171	0.22%
Insurance	5,817	6,172	6,538	5,661	5,076	5.55%
Administrative expenses	13,334	12,302	16,047	11,354	11,856	12.30%
Permits and enforcement	1,205	1,440	1,724	1,915	1,915	1.55%
Total Expenses	85,900	164,347	90,978	89,238	97,243	100.00%
Net Change in Fund Balance	39,433	(34,675)	37,328	45,614	48,887	
Fund Balance, Beginning	525,052	564,485	529,810	567,138	612,752	
Fund Balance, Ending	\$ 564,485	\$ 529,810	\$ 567,138	\$ 612,752	\$ 661,639	
Fund Balances						
Capital Asset Replacement	\$ 309,917	355,714	397,672	449,570	495,832	
General Reserve	106,489	67,440	67,440	67,440	67,440	
Unassigned	148,079	106,656	102,026	95,742	98,367	
Total Fund Balances	564,485	529,810	567,138	612,752	661,639	
Year-to-Year Change in Total Fund Balance						
Amount Increase (Decrease)	39,433	(34,675)	37,328	45,614	48,887	
Percent increase (Decrease)	7.51%	-6.14%	7.05%	8.04%	7.98%	

a) *Is the subject agency in an unstable financial position, i.e. does the 5-year trend analysis indicate any issues?*

No. Currently, the District's finances are stable as long as there is not a catastrophic system failure in the near future. Revenue from the District's major activity, providing water to the community, is stable and has slightly increased from \$119,381 in 2015 to \$122,097 in 2019. Other revenues have also increased minimally. Total expenses have also been stable, except for fiscal year 2016 when the district expended over \$70,000 for a single repair. Fiscal year's 2017 administrative expenses were higher due to the costs of an audit. The District had a net income four out of the five years presented and has an accumulated net income of \$136,587 over the five years which has increased total fund balance from \$525,052 at the end of 2014 to \$661,639 as of 2019.

b) *Does the subject agency fail to use generally accepted accounting principles, fully disclosing both positive and negative financial information to the public and financial institutions including: summaries*

of all fund balances and charges, summaries of revenues and expenditures, five-year financial forecast, general status of reserves, and any un-funded obligations (i.e. pension/retiree benefits)?

Maybe. The District relies on the County to provide accounting and treasury services. County Department of Financial Services (DFS) staff reviews all transactions, including the payment of vendors, before data is entered into the County's financial system. This process adds a layer of internal control over the District's accounting data. In addition, at year end, DFS staff reviews the District's account balances for compliance to generally accepted accounting principles.

In general, County DFS allows access to monthly reports by district officials. However, since the current system, "INFOR", which was first implemented for fiscal year 2016, is not very user-friendly, the County sends the District a set of system generated monthly reports. The report package includes a trial balance, general ledger and a budget to actual report. A review of the minutes found that financial reports are included in the regular monthly meeting board package. However, the minutes do not indicate whether the reports are discussed on a regular basis. It appears financial information is only discussed at time of budget adoption and at meetings approving budget modifications, as needed. System reports are also not reviewed in detail as there were several errors noted by LAFCo staff. In addition, there were property tax allocation errors overstating secured property tax revenue in fiscal years 2015 and 2016 by 50% that was not caught by the District. These errors have since been corrected.

- c) *Does the agency need a reconciliation process in place and followed to compare various sets of data to one another; discrepancies identified, investigated and corrective action is taken. For small agencies, this would include comparing budgets to actuals, comparing expenses from one year to the next, etc.?*

Yes. Although the District did not cause the errors above, District staff did not know they occurred. The District should implement policies and procedures that require that all monthly reports are to be reviewed thoroughly for accuracy. Since the District is on a five-year audit cycle, monthly financial report reviews are even more important. In addition, a process should be implemented to compare prior year actual balances to current year balances. The County's standard monthly report package includes a current year budget to actual report by line item.

- d) *Does the agency board fail to receive periodic financial reports (quarterly or mid-year at a minimum); reports provide a clear and complete picture of the agency's assets and liabilities?*

Yes. The District does not have a process in place that provides/requires that financial reports are presented to the board on a periodic basis. A financial presentation should provide a complete picture of the District's finances: year-to-date expenditures, year-to-date revenues, assets, liabilities, reserve balance(s) and budget to actual. As noted above financial reports are provided in the board meeting packages but are usually not discussed at the meetings. The financial reports are standard reports from the County's financial system. However, the financial information in these reports are not presented in a useful manner for non-accountant board members and are not reformatted for easy board review.

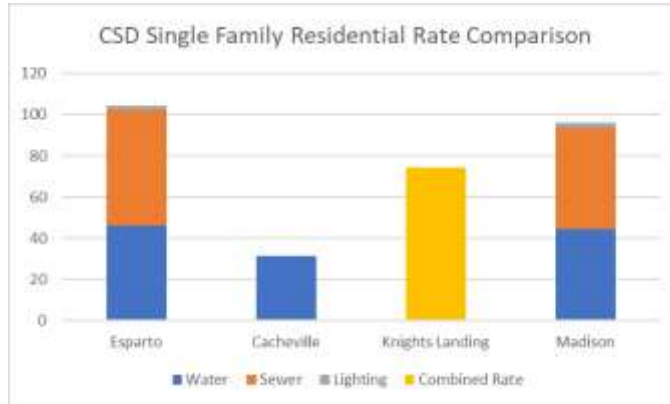
- e) *Is there an issue with the organization's revenue sources being reliable? For example, is a large percentage of revenue coming from grants or one-time/short-term sources?*

No. The District's main source of revenue is billings from providing water services to the community. The District is not dependent on grants or other unreliable sources of revenue. The CSD staff have indicated that account revenue is stable, even considering the pandemic and resulting economic issues.

- f) *Is the organization's rate/fee schedule insufficient to fund an adequate level of service, necessary infrastructure maintenance, replacement and/or any needed expansion and/or is the fee inconsistent with the schedules of similar service organizations?*

Maybe. The District has raised water rates slowly over time, however, the rate increases do not appear to be based on a formal rate study or on comprehensive review of expenditures and required/scheduled capital improvement needs. The CSD’s attorney has not provided the latest rate study and Prop 218 election information despite several requests by LAFCo staff. The CSD will need to consider if the current rates will be sufficient once the engineering study for water system upgrades/replacement is completed (see response to item 3c).

Below is a table comparing the single family residential rates for each CSD in the county (in dollars).



- g) *Is the organization needing additional reserves to protect against unexpected events or upcoming significant costs?*

Maybe. Per discussion with District staff, the water mains are needing to be replaced. Currently the district has over \$661,639 in total fund balances of which \$495,832 has been set aside for capital asset replacement. The actual amount required to be paid by the District will depend if improvements can be funded partially or wholly by grants. In addition, the District has not identified or have specific reserves to mitigate against any other catastrophic loss.

- h) *Does the agency have any debt, and if so, is the organization’s debt at an unmanageable level? Does the agency need a clear capital financing and debt management policy, if applicable?*

Yes. The general obligation bonds that financed the original system construction were paid off in fiscal year 2017-18. The District does not currently have any other long-term debt. However, as stated above the water system’s mains are in need of replacement that may need to be financed by a long-term debt issue. However, the District does not have any capital financing plans nor debt management policies to address any future debt burdens.

- i) *Does the agency need documented accounting policies and procedures including investments (If not, LAFCo has a sample)? Does the agency segregate financial duties among staff and/or board to minimize risk of error or misconduct? Is there a system of authorizations, approval and verification for transactions?*

Yes. The District does not have any written accounting or financial policies. Most Districts use/rely/or have adopted the County’s accounting policies as their own. However, these same Districts do not know what those policies are. As stated above, all of the District’s cash is maintained by the County Treasury and financial transactions are recorded in the County’s financial system. County (DFS) staff provides some review of vendor invoices and other transactions before they are entered into the accounting system. Invoices from vendors are also reviewed and approved by the District board before submitting to DFS for processing.

The bi-monthly service billings, collection, deposits and posting to accounts receivable is all processed by the District clerk. These processes should be completed by different staff for proper segregation of duties.

Financial Ability MSR Determination

Currently, the Cacheville Community Services District finances are stable. Both revenues and expenses have been consistent form year-to-year with revenues exceeding expenses four of the five years presented in this report and total available funds have increased by over \$136,587.

However, the District should be more proactive about reviewing financial reports and developing good accounting and financial policies to ensure that financial transactions are reported accurately and consistently in the accounting system and to make the financial condition of the District more transparent to the public. In addition, the District should development a reserve policy and adequately fund them to mitigate future unforeseen expense and planned capital improvements.

As long as the District adheres to its prudent financial practices, makes administrative improvements, does not have a catastrophic failure and is able to fund required infrastructure needs it should remain viable.

Financial Ability MSR Recommendations

- Prepare a quarterly financial report which presents the CSD’s financial condition in a more user-friendly way so board members and staff can better review County-provided reports. At a minimum the financial data should include a balance sheet, income statement and a budget-to-actual report to detect potential errors.
- The District should develop oversight procedures over the billing, collection, deposit and accounts receivable functions to ensure that significant fraud would be detected.
- 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.
- The District should develop accounting, financial, governance and general administrative polices to help guide its decision making in a consistent manner.

5. SHARED SERVICES AND FACILITIES

Status of, and opportunities for, shared facilities.

	YES	MAYBE	NO
a) Are there any opportunities for the organization to share services or facilities with neighboring, overlapping or other organizations that are not currently being utilized?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Discussion:

- a) *Are there any opportunities for the organization to share services or facilities with neighboring, overlapping or other organizations that are not currently being utilized?*

Maybe. The District employs one part-time Clerk who provides bookkeeping and billing services, and two part-time Water Distribution Operators.

The other overlapping special district that operates in the town of Yolo is the Yolo Fire Protection District. Both districts already utilize the same part-time Clerk, although the position is not shared per se. Other district positions cannot be shared due to the disparate fire and water service expertise. If General Manager services were acquired, the CSD should consider contracting with one of the other

CSD's in the county for shared services, especially considering the Cacheville CSD's operation would not require a full time General Manager.

The Cacheville CSD is also approximately 4 miles from the City of Woodland. If it becomes desirable/necessary sometime in the future, the CSD could potentially contract with the City for administration and water system operator support services.

Shared Services MSR Determination

There is one other overlapping special district that operates in the town of Yolo, the Yolo Fire Protection District. Both districts already utilize the same part-time Clerk, although the position is not shared per se. The Cacheville CSD is also approximately four miles northwest of the City of Woodland. If it becomes desirable/necessary sometime in the future, the CSD could potentially contract with the City for administration and water system operator support services. If General Manager services were acquired, the CSD should consider contracting with one of the other CSD's in the county for shared services, especially considering the Cacheville CSD's operation would not require a full time General Manager.

Shared Services MSR Recommendation

- 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.

6. ACCOUNTABILITY, STRUCTURE AND EFFICIENCIES

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

	YES	MAYBE	NO
a) Are there any recommended changes to the organization's governmental structure that will increase accountability and efficiency (i.e. overlapping boundaries that confuse the public, service inefficiencies, and/or higher costs/rates)?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Are there any issues with filling board vacancies and maintaining board members? Is there a lack of board member training regarding the organization's program requirements and financial management?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Are any agency officials and designated staff <u>not</u> current in making their Statement of Economic Interests (Form 700) disclosures?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) Are there any issues with staff turnover or operational efficiencies? Is there a lack of staff member training regarding the organization's program requirements and financial management?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
e) Does the agency need to have a qualified external person review agency finances each year (at a minimum), comparing budgets to actuals, comparing actuals to prior years, analyzing significant differences or changes, and determining if the reports appear reasonable?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f) Does the agency need to secure independent audits of financial reports that meet California State Controller requirements? Are the same auditors used for more than six years? Are audit results not reviewed in an open meeting?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

YOLO LAFCO MUNICIPAL SERVICE REVIEW/SPHERE OF INFLUENCE STUDY

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|--|-------------------------------------|--------------------------|--------------------------|
| g) Does the organization need to improve its public transparency via a website (i.e. a website should contain at a minimum: organization mission/description/boundary, board members, staff, meeting schedule/agendas/minutes, budget, revenue sources including fees for services, if applicable, and audit reports)? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <hr/> | | | |
| h) Does the agency need policies (as applicable) regarding personnel, travel and expense reimbursement, personal use of public resources, and contract bidding? | <input checked="" type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
-

Discussion:

- a) *Are there any recommended changes to the organization’s governmental structure that will increase accountability and efficiency (i.e. overlapping boundaries that confuse the public, service inefficiencies, and/or higher costs/rates)?*

No. Please see the responses to 4f and 5a.

- b) *Are there any issues with filling board vacancies and maintaining board members? Is there a lack of board member training regarding the organization’s program requirements and financial management?*

No. The Cacheville CSD’s Board meetings occur on the first Wednesday of every month at 6pm at the Yolo Library. All five (5) Board member seats are filled and elections are managed by the Yolo County Elections office. The Board Chair did indicate, however, that while the seats are all currently filled, it is sometimes difficult to find residents to serve. The District contracts for legal services with the law firm Gardner, Janes, Nakken, Hugo & Nolan, which ensures the Board complies with required training.

- c) *Are any agency officials and designated staff not current in making their Statement of Economic Interests (Form 700) disclosures?*

No. The Cacheville CSD has been determined to be exempt from filing a Conflict of Interest Code because it has an annual operating budget (exclusive of salaries) less than \$150,000¹⁷.

- d) *Are there any issues with staff turnover or operational efficiencies? Is there a lack of staff member training regarding the organization’s program requirements and financial management?*

Maybe. The two part-time water operators have been employed by the CSD since 2008 and are current with certifications. The CSD employs two part-time operators to ensure coverage (they are each on-call one week and off the next). The part-time Clerk has worked with the District since 2014 and has a strong financial management background. However, according to Government Code Section 61050 the District is required to have a general manager.

- e) *Does the agency need to have a qualified external person review agency finances each year (at a minimum), comparing budgets to actuals, comparing actuals to prior years, analyzing significant differences or changes, and determining if the reports appear reasonable?*

Yes. The County provided INFOR monthly reports do not provide board members, staff and the public with usable information about the District’s financial condition. Additionally, there needs to be a process in place to detect any accounting errors. The Cacheville CSD board should have a qualified external person review agency finances each year (at a minimum), comparing budgets to actuals, comparing actuals to prior years, analyzing significant differences or changes. Especially considering the CSD is on a five-year audit cycle.

¹⁷ Per email from the Yolo County Deputy Clerk/Recorder, February 6, 2020

- f) *Does the agency need to secure independent audits of financial reports that meet California State Controller requirements? Are the same auditors used for more than six years? Are audit results not reviewed in an open meeting?*

No. The District was approved by the County Board of Supervisors to be on a five-year audit cycle. The District last underwent an “agreed upon procedures” (AUP) that covered fiscal years 2010 to 2014. The District has hired an accounting firm to conduct an audit for fiscal years 2015 through 2019. The audit is expected to be completed in calendar year 2021.

The CSD may wish to consider changing to a 2 or 3-year audit cycle in order to be better prepared for state/federal grant, loan or other funding opportunities. In addition, complete record retention for five years can be a challenge.

- g) *Does the organization need to improve its public transparency via a website (i.e. a website should contain at a minimum: organization mission/description/boundary, board members, staff, meeting schedule/agendas/minutes, budget, revenue sources including fees for services, if applicable, and audit reports)?*

Yes. The Cacheville CSD should be applauded for getting its own district website up and running in 2019, however it is a work in progress. It received a 21% transparency score in 2020. Please see the attachments for needed improvements.

- h) *Does the agency need policies (as applicable) regarding personnel, travel and expense reimbursement, personal use of public resources, and contract bidding?*

Yes. The District does not have any documented polices.

Accountability, Structure and Efficiencies MSR Determination

The Cacheville CSD is generally governed well and there are no recommended changes to the organization’s governmental structure that will increase accountability and efficiency. Board seats are filled and there do not appear to be any chronic issues with vacancies. The CSD is represented by a local attorney’s office which provides board member training. CSD staff are efficient but there is a lack of an appointed general manager for financial management. The Cacheville CSD is due for its audit of the last five fiscal years. Last year, the District started a website, which is excellent, but it is a work in progress and content needs to be improved. The District does not have any adopted financial policies LAFCo is aware of and some need to be adopted.

Accountability, Structure and Efficiencies Recommendations

- According to Government Code Section 61050, the District is required to appoint a general manager.
- 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.
- 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.
- 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.
- Adopt policies regarding personnel, travel and expense reimbursement, personal use of public resources, and contract bidding (LAFCo has policy templates for use if desired).

7. OTHER ISSUES

Any other matter related to effective or efficient service delivery, as required by commission policy.

	YES	MAYBE	NO
a) Are there any recommendations from the agency's previous MSR that have not been implemented?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Discussion:

a) *Are there any recommendations from the agency's previous MSR that have not been implemented?*

Maybe. One of the four 2014 recommendations still needs to be implemented. Below are the LAFCo recommendations from the last MSR for the Cacheville CSD adopted in July 2014 with a status of implementation to date.

2014 Recommendations

1. LAFCo encourages the District to implement the suggested improvements in the Yolo County 2011 Final Facility Master Plan (including upsizing the pipeline diameters throughout the system, upsizing the water pump, and purchasing a backup power source) as funding allows.

Status: Yolo County Office of Emergency Services OES has obtained funds and purchased a backup generator to improve system reliability, which should be installed in January 2021. The CSD recently hired an engineering firm to prepare a water resources infrastructure assessment, prioritization of repair/replacement actions, and identification applicable of state and/or federal grants that could be used for water system repairs, replacement, or upgrades. The study is currently in process. The District also has been putting aside monies in its fund balance to help pay for system improvements.

2. LAFCo encourages the District to pursue potential grant opportunities, as well as to continue building its reserve, and to conduct the recommended system improvements (including upsizing the pipeline diameters throughout the system, upsizing the water pump, and purchasing a backup power source) as funding becomes available.

Status: The Cacheville CSD has increased its reserve approximately \$350,000 since its last MSR and has hired a consulting/engineering firm to complete the necessary studies and apply for grant funding to upgrade its system.

3. The District's Board of Directors should consider adopting formal financial policies that reflect its strong financial management practices, to ensure its continued financial stability in the event of staff turnover.

Status: The CSD has not adopted financial policies. See also checklist response to item 6h).

4. LAFCo encourages the District to considering establishing a website to enhance public outreach when the District is in a financial position to do so. Should a website be established, LAFCo also encourages the District to post budgets and audits on the site to increase ease of access for residents.

Status: The District established a website in 2019 but content improvements are needed.

Other Issues MSR Determination

Most of the 2014 MSR recommendations were followed. The one outstanding item is to adopt financial policies which has been reiterated as a recommendation for this 2020 MSR.

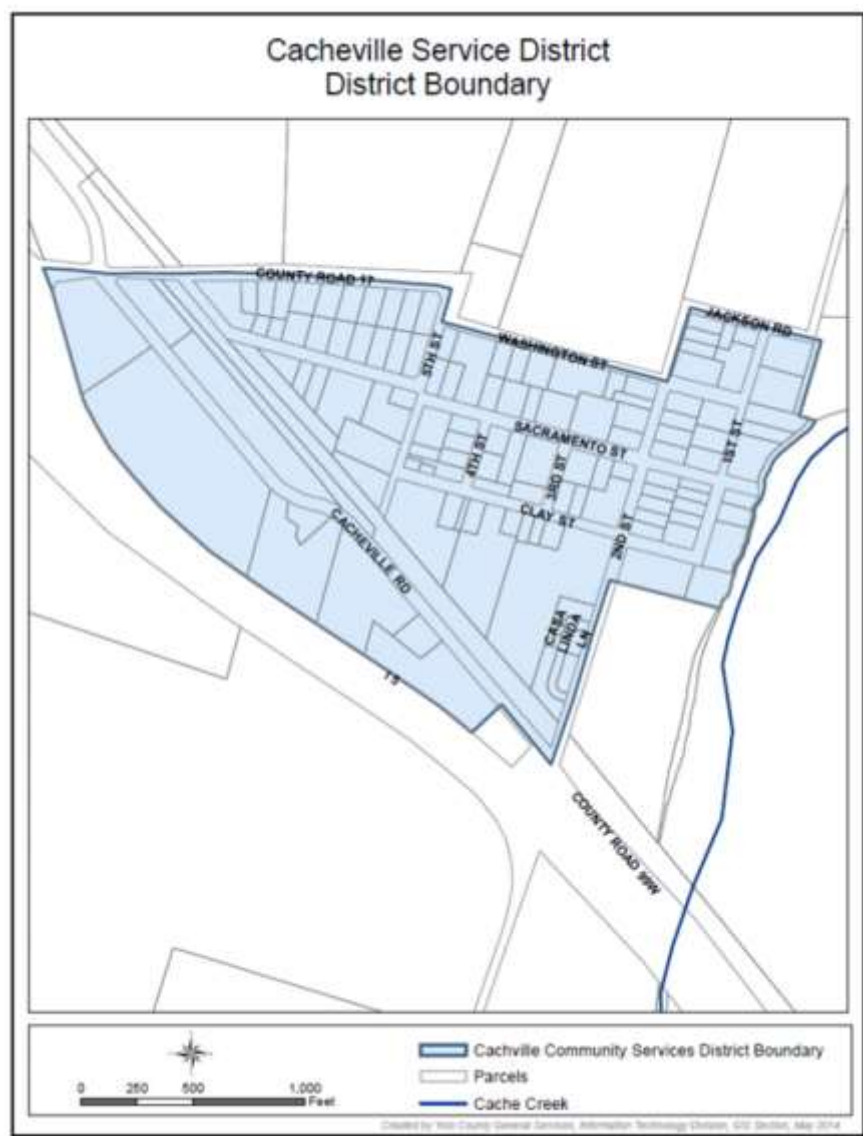
CACHEVILLE CSD SPHERE OF INFLUENCE STUDY

On the basis of the Municipal Service Review:

- Staff has reviewed the agency's Sphere of Influence and recommends that a SOI Update is NOT NECESSARY in accordance with Government Code Section 56425(g). Therefore, NO CHANGE to the agency's SOI is recommended and SOI determinations HAVE NOT been made.
- Staff has reviewed the agency's Sphere of Influence and recommends that a SOI Update IS NECESSARY in accordance with Government Code Section 56425(g). Therefore, A CHANGE to the agency's SOI is recommended and SOI determinations HAVE been made and are included in this MSR/SOI study.

SPHERE OF INFLUENCE MAP(S)

The sphere of influence is coterminous with the District boundary.



ESPARTO CSD AGENCY PROFILE

The Esparto Community Services District was originally formed May 12, 1960 as the Esparto Sanitary District. In 1969, it became the Esparto Community Services District and expanded its services to provide water, wastewater, stormwater and street lighting services. In 2016, recreation and parks powers were also authorized when the Madison-Esparto Regional County Service Area (MERCESA) was dissolved and the CSD took over its overlapping services to provide maintenance of greenbelt trails and detention basins associated with four developments in town. The town of Esparto is approximately 449 acres in size and is located on Highway 16 between the communities of Madison and Capay. The CSD boundaries are shown below and are roughly bordered along County Road 20X and Highway 16 to the north, County Road 21A to the south, Alpha Street to the east and Gable Drive to the west.

The town of Esparto is estimated to have a population of 3,783 according to 2019 estimates, however, please note that the census designated place (CDP) boundaries differ from the CSDs boundaries in that the CDP takes in additional rural territory surrounding the town.



The District currently has 1,001 domestic water connections (976 of which are active)¹⁸ and 967 wastewater connections. The CSD operates 4 active wells and 10 sewer ponds on a total of 40 acres. In 2016, recreation and parks powers were also authorized when the Madison-Esparto Regional County Service Area (MERCESA) was dissolved and the CSD took over its services in the CSD territory. Yolo County also contracts with the Esparto CSD to service the town's detention basins, parks and aquatic center. The District also acts as a pass through agency for Pacific Gas and Electric Company (PG&E) for payment of street lighting costs.

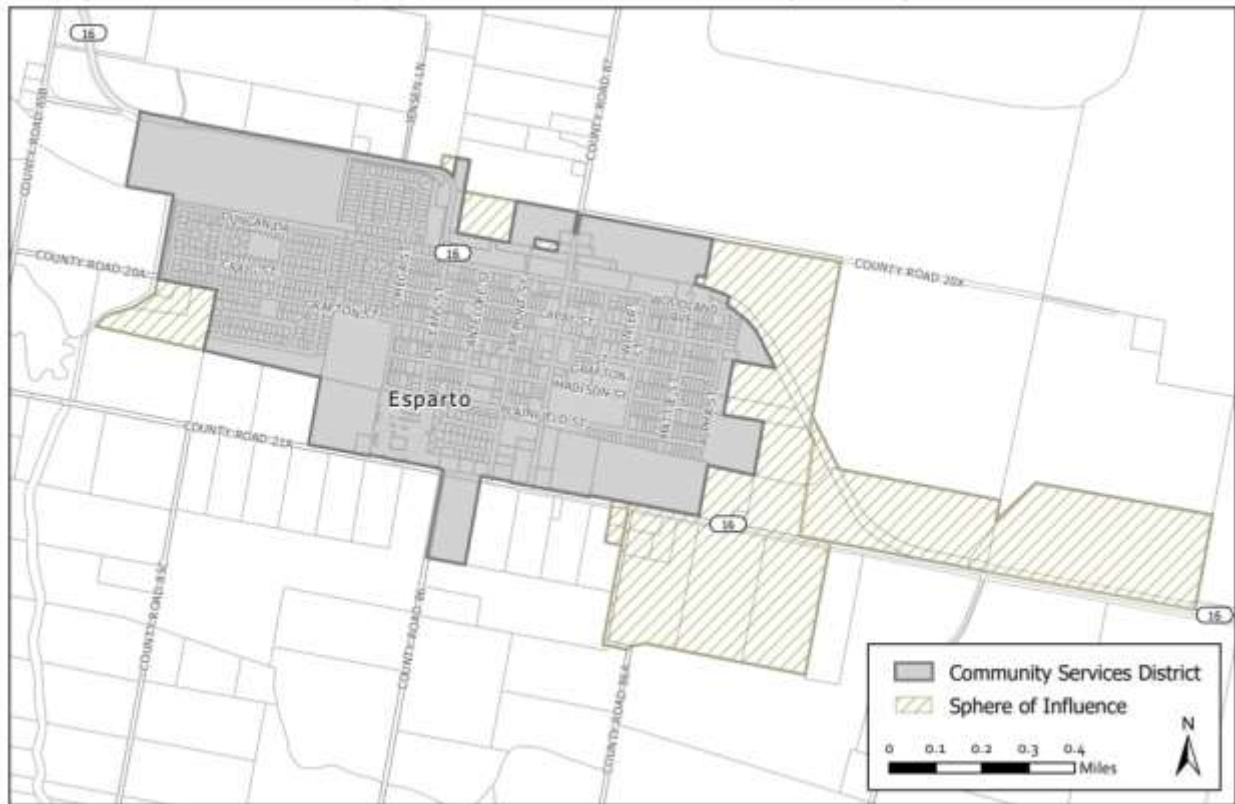
¹⁸ waterboards.ca.gov, Drinking Water Watch - Public Water System Information, Last Updated March 26, 2020.

There have been numerous annexations to the District's boundaries since its formation. The CSD has a sphere of influence (SOI) outside of its boundary, which was aligned with the Yolo County zoning for the community (see map) until the County recently adopted a new Esparto Community Plan in 2019 which scaled back its development areas. Therefore, this MSR/SOI recommends scaling back the SOI accordingly.

The District is governed by a five-member Board of Directors that meets the second Wednesday of every month at 7:00 pm at the District Office. The District has 7 employee positions staffed by a General Manager, Administrative Services Manager, financial staff, two utility operators, and two parks and maintenance operators.

A current map of the Esparto CSD and its SOI is provided below.

Esparto Community Services District Boundary and Sphere of Influence



Adopted by Yolo LAFCo on March 28, 2019

ESPARTO CSD MUNICIPAL SERVICE REVIEW

POTENTIALLY SIGNIFICANT MSR DETERMINATIONS

The MSR determinations checked below are potentially significant, as indicated by “yes” or “maybe” answers to the key policy questions in the checklist and corresponding discussion on the following pages. If most or all of the determinations are not significant, as indicated by “no” answers, the Commission may find that a MSR update is not warranted.

- | | |
|--|--|
| <input checked="" type="checkbox"/> Growth and Population | <input type="checkbox"/> Shared Services |
| <input type="checkbox"/> Disadvantaged Unincorporated Communities | <input checked="" type="checkbox"/> Accountability |
| <input type="checkbox"/> Capacity, Adequacy & Infrastructure to Provide Services | <input type="checkbox"/> Other |
| <input checked="" type="checkbox"/> Financial Ability | |

LAFCo MUNICIPAL SERVICE REVIEW:

- On the basis of this initial evaluation, the required determinations are not significant and staff recommends that an MSR is NOT NECESSARY. The subject agency will be reviewed again in five years per Government Code Section 56425(g).
- The subject agency has potentially significant determinations and staff recommends that a comprehensive MSR IS NECESSARY and has been conducted via this checklist.

1. GROWTH AND POPULATION			
Growth and population projections for the affected area.	YES	MAYBE	NO
a) Will the agency’s territory or surrounding area experience any significant population change or development over the next 5-10 years?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Will development have an impact on the subject agency’s service needs and demands?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Will projected growth require a change in the agency’s service and/or sphere of influence boundary?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Discussion:

Census Designated Place Data Comparison for the CSD’s Communities¹⁹

	Yolo (Cacheville)	Esparto	Knights Landing	Madison
Median Household Income	\$77,868 ²⁰	\$75,833	\$42,969	\$41,050
Persons in Poverty	4.7%	10.0%	15.2%	15.7%
High School Degree or Higher	59.1%	83.7%	45.0%	44.9%
Persons Without Health Insurance	0.0%	7.1%	15.1%	11.0%
Median Housing Value	NA ²¹	\$313,500	\$184,000	\$169,400
Total Housing Units	120	1,105	291	193
Total Businesses ²²	NA	196	NA	NA
Households w/ Broadband Internet	54.8%	85.2%	52.2%	68.9%

According to the 2010 Census²³, the town of Esparto had a population of 3,108 persons. According to 2017 American Community Survey, approximately 56% of the population is Hispanic or Latino, 33% is White and 11% is Asian²⁴. Fifty-six percent (56%) of the households in Esparto speak a language other than English at home, primarily Spanish (47%) with some other Indo-European languages as well (8%), and just less than one percent (1%) Asian or Pacific islander.

a) *Will the agency’s territory or surrounding area experience any significant population change or development over the next 5-10 years?*

No. The unincorporated areas of Yolo County overall are estimated to have a 1.0% decrease in growth from January 1, 2019 to January 1, 2020²⁵. Although there is demand for new housing in Esparto, community growth projections do not represent a significant or unexpected change.

b) *Will development have an impact on the subject agency’s service needs and demands?*

No. Long standing development approvals delayed during the recent recession are now working through the County planning and building departments again. However, the Esparto CSD has the capacity and ability to serve the proposed development with development impact fees that will fund needed additional infrastructure (as described further in the Capacity and Adequacy of Public Facilities and Services Section). Therefore, no impact is anticipated.

c) *Will projected growth require a change in the agency’s service and/or sphere of influence boundary?*

Yes. Yolo County adopted an updated community plan for Esparto in April 2019 which downzoned some areas back to agricultural uses and reduced the future community area. The existing SOI now exceeds the parcels zoned for development and should be scaled back accordingly. The proposed SOI would still provide some additional land zoned for growth, however, a sphere of influence update is needed to scale back to correlate to the updated community plan.

¹⁹ Source: 2015-2019 American Community Survey 5-Year Estimates

²⁰ American Fact Finder 2018 American Community Survey and 2017 Economic Census

²¹ Data not available

²² Source: 2012 Survey of Business Owners: Company Summary

²³ American Fact Finder for the Yolo CDP (Census Designated Place), California

²⁴ American Fact Finder for the Yolo CDP (Census Designated Place), California

²⁵ Department of Finance City/County Population estimates with Annual Percent Change, January 1, 2019 and 2020

Growth and Population MSR Determination

Long standing development approvals delayed during the recent recession are now moving forward to construction. The Esparto CSD has the capacity and ability to serve the proposed development with development impact fees that will fund needed additional infrastructure. Therefore, no impact is anticipated with project mitigation. Yolo County adopted an updated community plan for Esparto in April 2019 which downzoned some areas from residential back to agricultural uses and reduced the community area due to flood issues. The proposed SOI would still provide some additional land zoned for growth, however, a sphere of influence update is needed to scale back to correlate to the updated community plan.

2. DISADVANTAGED UNINCORPORATED COMMUNITIES

The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.

	YES	MAYBE	NO
a) If the subject agency provides public services related to sewers, municipal and industrial water, or structural fire protection, are there any “inhabited unincorporated communities” (per adopted Commission policy) within or adjacent to the subject agency’s sphere of influence that are considered “disadvantaged” (80% or less of the statewide median household income) that do not already have access to public water, sewer and structural fire protection?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) If “yes” to a), it is feasible for the agency to be reorganized such that it can extend service to the disadvantaged unincorporated community? If “no” to a), this question is marked “no” because it is either not needed or not applicable.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion:

- a) *If the subject agency provides public services related to sewers, municipal and industrial water, or structural fire protection, are there any “inhabited unincorporated communities” (per adopted Commission policy) within or adjacent to the subject agency’s sphere of influence that are considered “disadvantaged” (80% or less of the statewide median household income) that do not already have access to public water, sewer and structural fire protection?*

No. The Esparto CSD provides municipal water and wastewater service. The Esparto Fire Protection District provides structural fire protection services. The town of Esparto is considered an inhabited unincorporated community, however, it is not considered disadvantaged. The median household income statewide in 2019 was surveyed at \$80,440²⁶ and the median household income in Esparto is estimated to be \$75,833²⁷. Therefore, Esparto is not considered to be a disadvantaged unincorporated community per state criteria.

- b) *If “yes” to a), it is feasible for the agency to be reorganized such that it can extend service to the disadvantaged unincorporated community? If “no” to a), this question is marked “no” because it is either not needed or not applicable.*

No. The community is already served with municipal water, wastewater and fire protection services. Therefore, the town of Esparto is not being passed over for economic reasons.

²⁶ American Community Survey 2019 1-year survey

²⁷ American Fact Finder 2018 American Community Survey and 2017 Economic Census

Please see Appendix A for a detailed analysis of the fire, water and sewer services available to each of these unincorporated communities. There are no disadvantaged unincorporated communities without these services: (1) within the sphere of influence of another agency that provides them; or (2) where a connection would be feasible due to the distance involved. All disadvantaged unincorporated communities that are adjacent or nearby adjacent municipal services have been connected.

Disadvantaged Unincorporated Communities MSR Determination

Esparto does not qualify as a disadvantaged unincorporated community. In addition, the community is already served with municipal water, wastewater and fire protection services. Therefore, the town of Esparto is not being denied critical public services for socioeconomic reasons.

3. CAPACITY AND ADEQUACY OF PUBLIC FACILITIES AND SERVICES

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.

	YES	MAYBE	NO
a) Are there any deficiencies in agency capacity to meet service needs of existing development within its existing territory (also note number of staff and/or contracts that provide services)? Are there any concerns regarding services provided by the agency being considered adequate (i.e. is there a plan for additional staff or expertise if necessary)?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Are there any issues regarding the agency's capacity to meet the service demand of reasonably foreseeable future growth?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Are there any significant infrastructure needs or deficiencies to be addressed for which the agency has not yet appropriately planned (including deficiencies created by new state regulations)?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) If the agency provides water, wastewater, flood protection, or fire protection services, is the agency not yet considering climate adaptation in its assessment of infrastructure/service needs?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) Are there any service needs or deficiencies for disadvantaged unincorporated communities related to sewers, municipal and industrial water, and structural fire protection within or contiguous to the agency's sphere of influence?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion:

- a) *Are there any deficiencies in agency capacity to meet service needs of existing development within its existing territory (also note number of staff and/or contracts that provide services)? Are there any concerns regarding services provided by the agency being considered adequate (i.e. is there a plan for additional staff or expertise if necessary)?*

No. The CSD provides 1,001 water and 967 sewer connections to households and businesses with 4 active wells and 10 sewer ponds on a total of 40 acres. It also provides stormwater services to operate and maintain detention basins for four developments in town (taken over when MERCESA was dissolved in 2017). It provides park and recreation services to maintain the greenbelt areas connected to the detention basins noted above and the Esparto Community Park, which it took over from Yolo County in 2017. And it also operates and maintains the Tuli-Mem Park and Aquatic Center under contract with Yolo County. The District has 7 employees, which provide adequate expertise and service coverage.

Water Service

The Esparto CSD owns, operates and maintains the water system serving the community of Esparto, which serves a total of 1,001 water connections. According to the District's Facility Master Plan (2011) and re-confirmed with the CSD's General Manager in 2020²⁸, the system's infrastructure includes:

- Four (4) wells- Well 1A, Well 5, and Well 6 (all with a depth of 400 feet); one (1) well 5b (at a depth of 1,200 feet); and Well 7 (at a depth of xxx feet)
- Emergency well- a fifth well is not currently in use due to adequacy issues, but still connected to the system for emergency use;
- 500,000-gallon storage tank;
- Booster pump station; and
- Two (2) hydropneumatic tanks- connected to the distribution system in order to maintain system pressure and reliability

In 2020, the daily water use averages 459,000 gallons per day. The CSD installed water meters and started factoring usage in the rates beginning in 2013, and consequently usage dropped.

The CSD has made several improvements to address fire flow, including adding a large booster pump station and a 500,000-gallon storage tank, as well as a new 12" main from the pump station down to Fremont Street. With these updates CSD staff indicated the system meets both domestic supply needs and fire flow requirements (but just barely), which was confirmed with the Esparto Fire Department²⁹. The Esparto FPD indicated the system is meeting fire flow requirements in both residential and commercial, but the system is about at its maximum capacity in certain locations of town. The 2011 Facility Master Plan identified a goal of upsizing all of the main line pipes to 6-inches in diameter. One remaining segment on Woodland Avenue will be upgraded with the E. Parker subdivision, and then all main lines will be 6-inch pipe. In addition, development projects in the near future will increase the system capabilities, as described in more detail under Item 3c.

According to Yolo County Environmental Health, Esparto CSD does not have any adequacy/quality issues with its water system. However, the State Water Resources Control Board (SWRCB) issued a Notice of Violation to the Esparto CSD on February 3, 2020 for not properly collecting lead and copper samples during 2019³⁰ (merely for starting sampling one day early and SWRCB made them do it over). There are no outstanding water quality citations or compliance orders for Esparto CSD.

Wastewater Service

Esparto CSD provides wastewater collection and treatment services for 967 connections in the community of Esparto. According to the Esparto CSD Facility Master Plan (2011), the wastewater is collected through a system of vitrified clay pipe with diameter ranging from 4-inch to 12-inch in diameter. The collection system flows by gravity to a system of 10 facultative treatment ponds located on the eastern side of Esparto. A pump station is located at the headworks to the treatment ponds and is pumped into ponds by a submersible pump lift station equipped with two 500 gallons per minute (gpm) submersible Chicago pumps. The CSD owns 90 acres of land for treatment ponds or other disposal facilities, containing 10 ponds totaling 42.7 acres in size.

Esparto CSD's current collection and treatment systems have the capacity to meet flow generation of current development, plus an additional 10-15% increase in flow. Overall, the CSD has adequate capacity for sewer treatment. A flow study was prepared for the Orciuoli Subdivision by Laugenour and Meikle in 2020 and the it confirmed the CSD's capacity and flows.

²⁸ Meeting with the Esparto CSD General Manager on December 3, 2020.

²⁹ Email from Esparto FPD Assistant Fire Chief Curtis Lawrence on December 8, 2020.

³⁰ State Water Resources Control Board Notice of Violation (PWS No. 5710007) to the Esparto CSD on February 3, 2020

Historically, the wastewater treatment plant has had numerous violations (137 in total going back to July 2001). However, 127 of those occurred before 2010 prior to management and maintenance changes at the District. And no violations have occurred since May 2014³¹. Therefore, there have been no violations in the last five years.

Stormwater and Parks/Recreation Service

In 2016, CSD recreation and parks powers were also authorized when the MERCSA was dissolved and the CSD took over its overlapping services. The Esparto CSD now provides maintenance of greenbelt trails and detention basins associated with four developments in town. The CSD has the capacity, but unfortunately, this service was not adequately funded when the CSD took over and it is now operating at a deficit. The CSD has been able to reduce the annual deficit from \$50,000 per year to \$22,000 per year by not watering the grass, however, fees need to be raised to fund this service. Please see the Financial Ability Item 4(f) for recommendations about closing this funding deficit for this service.

The Esparto CSD also took over maintenance of the Esparto Community Park from Yolo County in 2017 (however the park site is still owned by the County). But since the CSD is providing a higher level of service, such as cleaning the public restrooms every day instead of once per week, there is another funding gap of approximately \$10,000 per year. The CSD is working with local non-profit groups to fundraise to fill this gap.

Esparto CSD also operates and maintains the Tuli-Mem Park and Aquatic Center under contract with Yolo County. The CSD reports this relationship is effective and the CSD's costs are within the agreed upon budget. Yolo County is ultimately responsible for funding the aquatic center services.

Street Lighting Service

The Esparto CSD collects payments for street lighting service provided by PG&E with its utility billing, and then pays PG&E for the service. The Esparto CSD's street lighting service is essentially a utility billing and collection pass through service to pay PG&E as the actual service provider. LAFCo is not aware of any street lighting issues.

- b) *Are there any issues regarding the agency's capacity to meet the service demand of reasonably foreseeable future growth?*

No. According to the Yolo County Adopted Zoning Map, dated July 2014, there is development potential for the town of Esparto. However as illustrated below, all of the land zoned for urban uses are included either within the current CSD boundary, which is shown as the red boundary, or its sphere of influence (SOI), which is cross-hatched.

³¹ CA.GOV Open Data Portal, Water Board Wastewater Violations, 2001-2016



- c) *Are there any significant infrastructure needs or deficiencies to be addressed for which the agency has not yet appropriately planned (including deficiencies created by new state regulations)?*

No. There are infrastructure needs to create capacity, but they are being addressed with new developments. The total capacity of all the wells is an issue and the Orecelli Subdivision will be funding a new well (Well 8) and a 200,000-gallon water storage tank, along with booster pumps and a pressure regulating system. The subdivision has been approved by the County and building permits are anticipated in early 2021. Building permit fees will allow the CSD to pay for the construction required to serve the development. The first phase of construction includes 33 homes by end of 2021. Total homes will include 140 single-family residential and 30 multi-family residential units.

Regarding waste water, a 60-year old line flowing to the waste water treatment plant (WWTP) was recently replaced due to infiltration issues with a new plastic bypass line 12" in diameter and located outside of the flood plain. Therefore, there are now two lines going to WWTP, but there is a need to re-line the older clay pipe to stop infiltration. Ultimately, two functional lines would increase capacity to WWTP, but funding is needed to complete the project. The CSD's new fee structure will build a reserve to finance it, so the CSD is planning for this infrastructure improvement. There has also been a need to replace the inverted siphon under Lamb Slough with a small lift station and force main to reduce sediment/solids buildup and clogging. However, construction at the RISE Clinic will be installing a lift station, which will obviate the need for the inverted siphon. Construction is anticipated in March 2021.

- d) *If the agency provides water, wastewater, flood protection, or fire protection services, is the agency not yet considering climate adaptation in its assessment of infrastructure/service needs?*

No. The CSD has backup generators for the storage tank and ponds to keep the water system operating without power in the event of a PG&E blackout during high risk fire events. The Esparto CSD also has solar panels installed to generate electricity.

Regarding drought, according to a December 2019 draft Department of Water Resources (DWR) Drought and Water Shortage Risk Score for each small water supplier (1 is the lowest risk and 100 is highest risk, compared to other small water suppliers), the Esparto CSD has a risk score of 22.53, which is relatively low. For comparison, the other CSD's scores are: Cacheville CSD 17.07, Knights Landing 70.85, and Madison 68.96 and the overall score range for small water suppliers in Yolo County range from 3.69 (UC Davis) to 90.52 (Campers Inn RV & Golf Course located in Dunnigan).

- e) *Are there any service needs or deficiencies for disadvantaged unincorporated communities related to sewers, municipal and industrial water, and structural fire protection within or contiguous to the agency's sphere of influence?*

No. Please see the response to 2c.

Capacity and Adequacy of Public Facilities and Services MSR Determination

The Esparto CSD is able to meet service needs of existing development within its territory. Its services are adequate and no significant concerns have been cited. The CSD's water services are at its maximum capacity in some parts of town, but fees from County development beginning in 2021 will mitigate these issues by funding construction of needed infrastructure. The CSD has taken over additional stormwater and parks services in recent years, and there is sufficient capacity but not funding, which is addressed in more detail under the Financial Ability determination. The CSD is adequately planning for future community needs and is considering climate adaptation in its assessment of infrastructure/service needs.

4. FINANCIAL ABILITY

Financial ability of agencies to provide services.

	YES	MAYBE	NO
a) Is the subject agency in an unstable financial position, i.e. does the 5-year trend analysis indicate any issues?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Does the subject agency fail to use generally accepted accounting principles, fully disclosing both positive and negative financial information to the public and financial institutions including: summaries of all fund balances and charges, summaries of revenues and expenditures, five-year financial forecast, general status of reserves, and any un-funded obligations (i.e. pension/retiree benefits)?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Does the agency need a reconciliation process in place and followed to compare various sets of data to one another; discrepancies identified, investigated and corrective action is taken. For small agencies, this would include comparing budgets to actuals, comparing expenses from one year to the next, etc.?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) Does the agency board fail to receive periodic financial reports (quarterly or mid-year at a minimum); reports provide a clear and complete picture of the agency's assets and liabilities?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) Is there an issue with the organization's revenue sources being reliable? For example, is a large percentage of revenue coming from grants or one-time/short-term sources?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
f) Is the organization's rate/fee schedule insufficient to fund an adequate level of service, necessary infrastructure maintenance, replacement and/or any needed expansion and/or is the fee inconsistent with the schedules of similar service organizations?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g) Is the organization needing additional reserve to protect against unexpected events or upcoming significant costs?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h) Does the agency have any debt, and if so, is the organization's debt at an unmanageable level? Does the agency need a clear capital financing and debt management policy, if applicable?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

- i) Does the agency need documented accounting policies and procedures including investments (If not, LAFCo has a sample)?
- Does the agency segregate financial duties among staff and/or board to minimize risk of error or misconduct? Is there a system of authorizations, approval and verification for transactions?
-

Discussion:

The District maintains its accounting data on an accrual basis of accounting for the water and sewer activities and on the modified accrual basis for storm drainage and park and recreation activities which is consistent with generally accepted accounting principles (GAAP) for this entity. The accrual basis of accounting focuses on the long-term health of an entity which includes depreciation of capital assets, adjustments to accrued liabilities, pension obligation, other post-employment benefits (OPEB) liability and accrued compensated absences. The data presented above is based on the audited accrual basis data converted to the modified accrual basis of accounting which focuses on the near-term financial health of the District. The modified accrual basis of accounting does not include the above-mentioned non-cash transactions but does include the purchase of capital assets and loan principal repayments as expenditures which the accrual basis does not.

YOLO LAFCo MUNICIPAL SERVICE REVIEW/SPHERE OF INFLUENCE STUDY

**ESPARTO COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE (modified)**

	2015	2016	2017	2018	2019	5 Yr Avg
Revenue						
Property taxes and assessments	\$ 38,558	\$ 40,934	\$ 47,835	\$ 95,703	\$ 109,909	4.42%
Reimbursement from Yolo County	-	-	-	-	136,505	1.81%
Development impact fees (DIF)	460,445	1,374	78,306	-	45,621	7.78%
Interest	3,143	10,371	7,967	14,489	30,864	0.89%
Service charges	1,178,131	1,157,208	1,037,523	1,531,140	1,264,336	81.96%
Other revenue	17,761	37,295	167,759	-	12,868	3.13%
Total Revenue	1,698,038	1,247,182	1,339,390	1,641,332	1,600,103	99.99%
Expenditures						
Salaries and benefits	458,028	492,146	460,319	562,467	604,482	34.91%
Administration	28,930	26,753	22,596	20,756	22,470	1.63%
Supplies	8,788	8,682	89,364	66,362	108,754	3.82%
Professional fees	188,219	41,163	122,992	89,530	53,267	6.71%
Utilities	105,079	98,966	70,779	101,753	115,767	6.67%
Maintenance & small tools	68,003	100,322	169,018	160,944	151,148	8.80%
Capital asset acquisitions	555,746	-	420,590	117,891	65,290	15.70%
Debt service - principal and interest	280,341	279,750	277,038	275,284	274,447	18.78%
Miscellaneous	34,549	134,048	(14)	-	51,267	2.98%
Total Expenses	1,727,683	1,181,830	1,632,682	1,394,987	1,446,892	100.00%
Change in Fund Balance	(29,645)	65,352	(293,292)	246,345	153,211	
Total Fund Balance, July 1	1,212,639	1,182,994	1,248,346	955,054	1,201,399	
Total Fund Balance, June 30	\$ 1,182,994	\$ 1,248,346	\$ 955,054	\$ 1,201,399	\$ 1,354,610	
Fund Balances						
Restricted development impact fees	\$ 343,777	\$ 348,080	\$ 350,392	\$ 355,080	\$ 363,279	
Restricted USDA debt reserve	128,828	155,666	182,123	209,468	238,063	
Unassigned	710,389	744,600	422,539	636,851	753,268	
	\$ 1,182,994	\$ 1,248,346	\$ 955,054	\$ 1,201,399	\$ 1,354,610	
Year-to-Year Change in Total Fund Balance						
Amount Increase (Decrease)	\$ (29,645)	\$ 65,352	\$ (293,292)	\$ 246,345	\$ 153,211	
Percent increase (Decrease)	-2.44%	5.52%	-23.49%	25.79%	12.75%	

a) *Is the subject agency in an unstable financial position, i.e. does the 5-year trend analysis indicate any issues?*

No. District revenues have been sufficient over the five-year period to cover operating expenditures, capital asset purchases and debt service and to have a small gain of \$141,971 on a modified accrual basis. However, over the long-term the District has a pension and OPEB liability totaling \$1,692,896 which needs to be funded over the long-term.

The District's revenues consist primarily of property taxes and assessments, development impact fees, interest, service charges for water, sewer and lighting services and reimbursements from the County for maintaining the community park and aquatic center. Service charges account for 80% of revenue and is subject to Proposition 218. Rates have been established through fiscal year 2025 and increase

each year: 2.3% for water service and 3% for sewer service. The rates include a component to establish a catastrophic loss reserve with deposits of \$150,000 each year. Over the five-year period, revenue from service charges have been stable. Development impact fees are received when new construction is approved and can vary significantly from year-to-year. Expenditure of these fees is restricted to specific purposes. Property taxes and assessments are 4% of total revenue and consists of a portion of the 1% general levy and special assessments related to MERCSA for maintaining storm drainage detention ponds and surrounding open space. The property tax and assessment revenue is very stable. In FY 2018 the increase was due to the District receiving property assessments related to the former MERCSA drainage area that will be assessed annually.

The District's expenditures include salaries and benefits, administration, operating expenditures, debt service and capital outlay. Salaries and benefits comprise almost 35% of total expenditures, operating expenditures 30%, debt service 19% and capital outlay 16%. Excluding capital outlay, District management has been able to keep expenditure growth fairly flat over the 5-year period.

With the stable revenue and flat expenditures, the District has maintained an unassigned fund balance of between \$422,539 and \$753,268, which is the current balance. The District will also start setting aside \$150,000 a year in a catastrophic loss reserve.

- b) *Does the subject agency fail to use generally accepted accounting principles (GAAP), fully disclosing both positive and negative financial information to the public and financial institutions including: summaries of all fund balances and charges, summaries of revenues and expenditures, five-year financial forecast, general status of reserves, and any un-funded obligations (i.e. pension/retiree benefits)?*

No. The District's financial transactions are recorded and presented in accordance to GAAP. Through FY 2017 the County Department of Financial Services (DFS) maintained the District's accounting transactions in the County's financial system. DFS staff reviewed all transactions before posting. However, in fiscal years 2015-16 and 2016-17 DFS made input errors causing \$12,697 of District expenditures and \$102,460 of District revenue to be posted to another fund. These errors were not detected by either District or DFS. Corrections have been processed and the likelihood of it occurring has been mitigated due to the District decision to maintain its own accounting system.

Beginning in FY 2018 the District began processing disbursement, receipts, and journal entries on their own accounting system. The District is using QuickBooks hosted by the District. The software is set up to account for all of the District's transactions including those still processed by the County as the District still maintains surplus cash with the County for investment purposes, maintenance of reserves and for the purpose of receiving revenues allocated by the County such as interest earnings and property taxes and assessments.

The District is audited annually and posts the audits on their website. District management also provides the governing board with a monthly line-item budget-to-actual report.

- c) *Does the agency need a reconciliation process in place and followed to compare various sets of data to one another; discrepancies identified, investigated and corrective action is taken. For small agencies, this would include comparing budgets to actuals, comparing expenses from one year to the next, etc.?*

No. District staff reviews budget-to-actual reports monthly and presents them to the District Board each meeting. The District also reconciles their banking transactions, accounts receivable, and funds held by the County on a monthly basis to the QuickBooks accounting system. The District also has undergone an annual financial audit performed by an independent accountant.

- d) *Does the agency board fail to receive periodic financial reports (quarterly or mid-year at a minimum); reports provide a clear and complete picture of the agency's assets and liabilities?*

No. The Board receives a detailed budget-to-actual report each month in addition to a list of approved claims. The Board also receives annual audited financial statements presentation by the external auditors.

- e) *Is there an issue with the organization's revenue sources being reliable? For example, is a large percentage of revenue coming from grants or one-time/short-term sources?*

No. The District's operating revenues consists of Residential and Commercial fees for water, sewer and lighting fees. There are not any individual customers that comprise 10% or more of total revenues or a small group of customers that comprise of 25% of total revenue. The District also receives an allocation of property taxes. See the five-year trend in 4a) for details.

- f) *Is the organization's rate/fee schedule insufficient to fund an adequate level of service, necessary infrastructure maintenance, replacement and/or any needed expansion and/or is the fee inconsistent with the schedules of similar service organizations?*

Yes. The water and sewer rates appear sufficient, however, the Zone of Benefit for storm water detention specific to four subdivisions and associated greenbelt maintenance is significantly underfunded. In addition, the CSD's maintenance of the County-owned Esparto Community Park is underfunded by approximately \$10,000 per year.

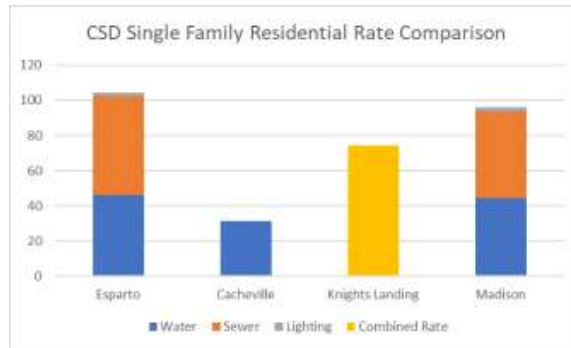
At the District's November 13, 2019 meeting, resolutions were adopted to raise water rates 2.3% and sewer rates 3%. The increases are effective 12/1/2019 and increase on July 1 of each year through 7/1/2024. The rates appear to be sufficient to fund the current level of service and set aside \$150,000 into a catastrophic loss reserve.

However, the District has not been able to increase assessments for the flood detention ponds due to the limitations of Proposition 218. The District became responsible for maintaining the ponds and adjacent green belt beginning in fiscal year 2018. For the two fiscal years, 2018 and 2019, the expenditures to maintain the flood detention ponds exceeded the current assessment by \$45,467. In response the District has cut costs including limiting watering around the detention ponds and cleaning debris from fallen trees. The District needs to hold a new Prop 218 election with the landowners in the Zone of Benefit to increase rates to resolve this potential ongoing deficit.

In addition, according to the District general manager, reimbursements from the County to maintain the Esparto Community Park have not been enough to offset costs borne by the District by about \$10,000 a year. The District took over the maintenance of the Park "voluntarily" with some funding from the County because the County was not doing an adequate job. To offset short falls the District has been working with community groups for funding alternatives. One potential source was fees for using the park during the Almond festival which did not occur due to the coronavirus pandemic.

Also, the current fee structure did not include the unexpected expense for moving water lines required by the Caltrans Corridor Safety Project in Esparto. The project includes street improvements including new drainage and street lighting. The District has been requested by Caltrans to move circa 1960s water lines because they are too shallow and will interfere with the Caltrans improvements. If the District only makes the necessary changes it will cost the District about \$400k. However, the E. Parker Subdivision has a development agreement requiring increased capacity. To take care of both needs at once will cost \$1.5 million. The County is currently assisting with three-way agreement with Tribe, County and CSD to fund infrastructure improvements. It is currently not known how much the CSD will need to contribute for this project. The District may need to borrow money to finance their share of the improvements.

Below is a table comparing the single family residential rates for each CSD in the county (in dollars).



- g) *Is the organization needing additional reserve to protect against unexpected events or upcoming significant costs?*

Yes. The District has an unassigned fund balance of \$735,268 as of June 30, 2019. In addition, the District's current water and sewer rate increases include a component that will allow management to set aside \$150,000 for infrastructure and equipment replacement.

However, the district has an unexpected infrastructure need of between \$400,000 and \$1,500,000 to move shallow water lines that are in the way of a Caltrans project. In addition, the District and is losing about \$10,000 a month due to the inability to charge late fees due to the State order related to the coronavirus pandemic. To mitigate the revenue shortfall, the District is in the process of cutting costs including adjusting variable expenses such as maintenance, office supplies, and other non-essential costs, also delaying ordering replacement meters and other items that can be put off. Due to the shortfall District management is currently working on budget changes for the current fiscal year, 2020-2021. Accounts receivable have also increased by 50% due to the shut off moratorium. The increased receivables are for about 60 accounts that after the emergency COVID order expires will need to be set up on payment plans. The order is expected to be lifted by February 2021 whereby the District will again be able to charge late fees and interest.

- h) *Does the agency have any debt, and if so, is the organization's debt at an unmanageable level? Does the agency need a clear capital financing and debt management policy, if applicable?*

Maybe. Excluding pension and OPEB liabilities the District's current debt load is manageable. The current annual debt service requirement of the USDA certificates of participation (COPs) is included in the annual budget each year. However, the District does not have a plan to fund pension and OPEB liabilities.

The District financed improvements to both the water and sewer systems in fiscal years 2008 and 2009 with Certificates of Participation (COPs) issued by United States Department of Agriculture. The total amount of the debt issue is \$5,090,000, the amount outstanding as of June 30, 2019 is \$4,230,000. The debt is scheduled to be paid off in 2048. The annual debt service is paid each year from current revenues.

As of June 30, 2019, the District has a pension and retiree health insurance (OPEB) liabilities in the amounts of \$357,637 and \$1,335,259, respectively. The District does not have a plan to pay down these liabilities nor has opened an irrevocable trust fund for to accumulate funds for OPEB. he OPEB liability will continue to increase rapidly without a plan to prefund. The retirement liability, assuming current trends continue, as well as employer contributions will increase slightly. According to *CalPERS 2019 Annual Review of Funding Levels and Risks* the big risk is continuing employer rate increases. Required employer contributions will increase over the next few years while the cost of recent rate changes and investment losses are being phased in. In 4-5 years, required contributions are expected

to decrease due to the continual decrease in normal cost as Classic members retire or terminate and are replaced by PEPPRA members and required payments toward existing unfunded accrued bases will gradually be eliminated as individual unfunded actuarial liability bases are fully paid off. In the long-term, required employer contributions will trend toward the employer portion of the normal cost and all plans will gradually increase to around 100% funded over the next 25-30 years.

The District may have to borrow funds to finance relocating water lines that are in the way of the Caltrans Corridor Safety Project in Esparto. However, the District does not have a financing or debt management plan.

- i) *Does the agency need documented accounting policies and procedures including investments (If not, LAFCo has a sample)? Does the agency segregate financial duties among staff and/or board to minimize risk of error or misconduct? Is there a system of authorizations, approval and verification for transactions?*

No. At their January 15, 2020 meeting The District Board of Directors approved an accounting policies and procedures manual. It includes policies and procedures related to maintenance of job descriptions and segregation of duties, accounting system and data backup, receipt and disbursements procedures including levels of authorizations, purchasing, payroll, bank accounts, accounts receivable, capital assets, personnel, records retention, risk management and identity theft prevention program.

Financial Ability MSR Determination

District management has consistently raised rates and maintained control of expenditures over the past five years that has allowed the district to operate in the black and to accumulate an unassigned fund balance of \$735,268 as of June 30, 2019. However, the District faces some short-term and long-term challenges.

In the short-term the District has been faced with an unexpected infrastructure project with a cost between \$400,000 and \$1,500,000. Caltrans is requiring the District to relocate water lines that are shallow and will interfere with their Corridor Safety Project in Esparto. The District does not currently have enough funds and is working with the County and the Yocha Dehe Wintun Nation for financial cost sharing. The District may end up having to borrow funds to finance their share of the project.

In the long-term the District needs to find a way to mitigate shortfalls in maintaining the sewer detention ponds and the surrounding green belts and the Community Park. The District's has experienced a two-year deficit of \$45,467 in maintaining the detention ponds and a \$10,000 annual shortfall maintaining the Community Park. Continued negotiation with the County and researching the property assessment related to the detention ponds is required to find additional funding.

Financial Ability MSR Recommendations

- Prepare an engineer's report and hold a Prop 218 election in the Zone of Benefit to increase the annual assessment as this service is significantly underfunded (LAFCo's understanding is the election is determined by a simple majority vote).
- 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.
- Develop and adopt reserve policies for infrastructure improvements/replacement and for unforeseen/catastrophic expenses.
- Develop and adopt debt policies.
- Develop a plan to fund the Esparto CSD's retirement liability and prefund the OPEB liability.

5. SHARED SERVICES AND FACILITIES

Status of, and opportunities for, shared facilities.

	YES	MAYBE	NO
a) Are there any opportunities for the organization to share services or facilities with neighboring, overlapping or other organizations that are not currently being utilized?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion:

a) *Are there any opportunities for the organization to share services or facilities with neighboring, overlapping or other organizations that are not currently being utilized?*

No. There are a number of shared services already occurring as follows:

- In 2016, the Madison-Esparto Regional County Service Area (MERCOSA) was dissolved and the Esparto CSD took over its previously overlapping storm water, recreation and parks services.
- Yolo County contracts with the Esparto CSD for parks and recreation services for Esparto Community Park and the Tuli Mem Aquatics Center.
- Madison CSD contracts with Esparto CSD for bookkeeping and account billing services. Equipment and staff are sometimes also shared on an “as-needed” basis.
- Knights Landing CSD may also consider utilizing Esparto CSD’s billing software this fiscal year.

Therefore, some consolidation of services has already occurred.

Shared Services MSR Determination

The Esparto CSD is taking advantage of opportunities for shared services with other districts. It took over some of the functions of the Madison-Esparto County Service Area (MERCOSA) when it was dissolved in 2016. It also provides parks and recreation services for the Esparto Community Park and Tuli Mem Aquatics Center under contract with Yolo County. The Esparto CSD also provides bookkeeping and account billing services for Madison CSD via contract and also shares equipment and staff on an “as-needed” basis. The District has also offered to provide similar account billing services for the Knights Landing CSD.

6. ACCOUNTABILITY, STRUCTURE AND EFFICIENCIES

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

	YES	MAYBE	NO
a) Are there any recommended changes to the organization’s governmental structure that will increase accountability and efficiency (i.e. overlapping boundaries that confuse the public, service inefficiencies, and/or higher costs/rates)?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Are there any issues with filling board vacancies and maintaining board members? Is there a lack of board member training regarding the organization’s program requirements and financial management?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Are any agency officials and designated staff <u>not</u> current in making their Statement of Economic Interests (Form 700) disclosures?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

YOLO LAFCo MUNICIPAL SERVICE REVIEW/SPHERE OF INFLUENCE STUDY

d) Are there any issues with staff turnover or operational efficiencies? Is there a lack of staff member training regarding the organization's program requirements and financial management?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) Does the agency need to have a qualified external person review agency finances each year (at a minimum), comparing budgets to actuals, comparing actuals to prior years, analyzing significant differences or changes, and determining if the reports appear reasonable?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
f) Does the agency need to secure independent audits of financial reports that meet California State Controller requirements? Are the same auditors used for more than six years? Are audit results not reviewed in an open meeting?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
g) Does the organization need to improve its public transparency via a website (i.e. a website should contain at a minimum: organization mission/description/boundary, board members, staff, meeting schedule/agendas/minutes, budget, revenue sources including fees for services, if applicable, and audit reports)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h) Does the agency need policies (as applicable) regarding personnel, travel and expense reimbursement, personal use of public resources, and contract bidding?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion:

a) *Are there any recommended changes to the organization's governmental structure that will increase accountability and efficiency (i.e. overlapping boundaries that confuse the public, service inefficiencies, and/or higher costs/rates)?*

No. Please see the responses to 4f and 5a.

b) *Are there any issues with filling board vacancies and maintaining board members? Is there a lack of board member training regarding the organization's program requirements and financial management?*

No. The Esparto CSD's Board meetings occur on the second Wednesday of every month at 7pm at the District office. All five (5) Board member seats are filled and elections are managed by the Yolo County Elections office. According to the General Manager³² and meeting minutes, the board members are relatively stable and get appropriate training and financial management. Two board members participate in a budget subcommittee. The ECSD takes advantage of California Special District Association (CSDA) information and sends board members to attend conferences. Board members also receive basic harassment training.

c) *Are any agency officials and designated staff not current in making their Statement of Economic Interests (Form 700) disclosures?*

No. Every elected official and public employee who makes or influences governmental decisions is required to submit a Statement of Economic Interest, also known as the Form 700. All Board Members' Form 700 Statements of Economic Interests and Ethics Compliance Training Certificates (per AB 1234) are posted on the District's website.

d) *Are there any issues with staff turnover or operational efficiencies? Is there a lack of staff member training regarding the organization's program requirements and financial management?*

No. According to the General Manager, there has been more turnover than normal in the past two years. However, office staff and field operators were replaced with more qualified replacements, so the

³² Meeting with the Esparto General Manager on December 10, 2020.

District considers turnover in this case to be positive. Resources: <http://www.ca-ilg.org/management-and-staff>

- e) *Does the agency need to have a qualified external person review agency finances each year (at a minimum), comparing budgets to actuals, comparing actuals to prior years, analyzing significant differences or changes, and determining if the reports appear reasonable?*

No. The District has financial audits conducted by independent auditor each year.

- f) *Does the agency need to secure independent audits of financial reports that meet California State Controller requirements? Are the same auditors used for more than six years? Are audit results not reviewed in an open meeting?*

Information: https://www.sco.ca.gov/Files-AUD/localgovernmentadvisoryfy17_18.pdf

No. The District has financial audits conducted by independent auditor each year. The last audit completed was for FY 2019 which was issued on November 13, 2020. The District was late getting the FY 2019 audit completed. The District has an audit policy which states that an audit is required each year and that every 5 years a Request for Proposal is circulated to audit firms. Prior to the 2019 audit, the same auditor was used for the past 9 years.

- g) *Does the organization need to improve its public transparency via a website (i.e. a website should contain at a minimum: organization mission/description/boundary, board members, staff, meeting schedule/agendas/minutes, budget, revenue sources including fees for services, if applicable, and audit reports)?*

Yes. 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>.

- h) *Does the agency need policies (as applicable) regarding personnel, travel and expense reimbursement, personal use of public resources, and contract bidding?*

No. The Esparto CSD has these policies (LAFCo has a full array of CASD template policies, if desired).

Accountability, Structure and Efficiencies MSR Determination

According to the General Manager and meeting minutes, the board members are relatively stable and get appropriate training and financial management. The ECSD takes advantage of California Special District Association (CSDA) information and sends board members to attend conferences and required training. All Board Members' Form 700 Statements of Economic Interests and Ethics Compliance Training Certificates (per AB 1234) are posted on the District's website. There has apparently been more turnover than normal in the past two years. However, office staff and field operators were replaced with more qualified replacements, so the District considers turnover in this case to be positive. The District has financial audits conducted by independent auditor each year. The ECSD needs to improve its website transparency and received a 55% transparency score in 2020.

Accountability, Structure and Efficiencies Recommendations

- 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. OTHER ISSUES

Any other matter related to effective or efficient service delivery, as required by commission policy.

	YES	MAYBE	NO
a) Is there any other matter related to effective or efficient service delivery, as required by commission policy?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Discussion:

a) *Is there any other matter related to effective or efficient service delivery, as required by commission policy?*

Yes. Below are the LAFCo recommendations from the last MSR for the Esparto CSD adopted in July 2015 with a status of implementation to date.

2015 Recommendations

1. The District should continue to monitor the deficiencies in the wastewater system that have the potential to cause backups (including several undersized pipes, one pipe with a sag, and the infiltration or ground water and storm water into the system), and should consider conducting infrastructure improvements in the event that the issues become more severe and can no longer be managed through ongoing maintenance.

Status: Completed. Please see the Capacity Section.

2. The District should consider developing a long-term infrastructure plan that identifies and prioritizes all potential future repair needs.

Status: The ECSD is working on it. Included as a recommendation for this 2021 MSR.

3. The District should consider expanding its financial polices to cover additional topics, such as debt management, reserve and contingency funds, and payroll practices. Financial policies help to ensure the financial stability of an organization, and the District should work towards documenting all of its financial management practices.

Status: See also checklist response to item 6h). At the District's January 15, 2020 meeting the District Board of Directors approved an "Accounting Policies and Procedures Manual." It includes policies and procedures related to staff responsibilities, maintenance of job descriptions and segregation of duties, compliance with external policy setting boards, security and access, accounting system and data backup, receipt and disbursements procedures including levels of authorizations, purchasing, payroll processing, bank accounts, accounts receivable, capital assets, personnel, records retention, risk management and identity theft prevention program

4. The District should consider annexing its waste water treatment ponds so that it no longer needs to pay property taxes.

Status: Not completed.

5. The District and the Madison Community Services District (as well as any other special districts in the area) should explore opportunities for shared administrative functions (such as staff, leadership or infrastructure and equipment) to achieve cost savings. LAFCo is available to help facilitate these conversations if desired by the District.

Status: Done. See also checklist response to item 5a).

6. The District should consider utilizing the pooled purchasing services offered to special districts by Yolo County to improve buying power and reduce costs.

Status: Done. The CSD does use County vendors for pooled purchasing pricing.

7. LAFCo recommends that MERCSA be dissolved and reorganized with the District (for the historic Esparto CSA portion of MERCSA) and the Yolo County Flood Control and Water Conservation District (YCFCWCD) (for the historic Madison CSA portion of MERCSA). The District should take responsibility for landscaping and maintenance of the detention basins in Esparto. YCFCWCD should take responsibility for the storm drainage maintenance function outside of the District's boundaries. This recommendation is predicated on the understanding that MERCSA can be dissolved without affecting the State Parks and Recreation Grant Contract. The County will need to evaluate the issues in greater detail, assess its options and take next steps. LAFCo's recommendation is in no way intended to jeopardize the State Parks and Recreation grant for the Esparto Community Park and Aquatic Center.

Status: Done. In 2016, the Madison-Esparto County Service Area (MERCSA) was dissolved and the Esparto CSD took over its previously overlapping recreation and parks services.

8. If the County chooses to move forward with dissolving MERCSA, the District should begin preparing a District Service Plan to determine its staffing, infrastructure and financial needs to provide these additional functions. The District Service Plan will be required by LAFCo in order to consolidate services with the Esparto CSD.

Status: Done. In 2016, Madison-Esparto County Service Area (MERCSA) was dissolved and the Esparto CSD took over its previously overlapping recreation and parks services.

Other Issues MSR Determination

There are no other issues related to effective or efficient service delivery, as required by commission policy. Most of the 2015 MSR recommendations have been implemented by the Esparto CSD and the few that have not been are reiterated herein.

Other Issues MSR Recommendation

- Consider annexing the CSD's waste water treatment ponds so that it no longer needs to pay property taxes.

ESPARTO CSD SPHERE OF INFLUENCE STUDY

On the basis of the Municipal Service Review:

- Staff has reviewed the agency’s Sphere of Influence and recommends that a SOI Update is NOT NECESSARY in accordance with Government Code Section 56425(g). Therefore, NO CHANGE to the agency’s SOI is recommended and SOI determinations HAVE NOT been made.
- Staff has reviewed the agency’s Sphere of Influence and recommends that a SOI Update IS NECESSARY in accordance with Government Code Section 56425(g). Therefore, A CHANGE to the agency’s SOI is recommended and SOI determinations HAVE been made and are included in this MSR/SOI study.

EXISTING SPHERE OF INFLUENCE MAP

Esparto Community Services District Boundary and Sphere of Influence



Adopted by Yolo LAFCo on March 28, 2019

PROPOSED SPHERE OF INFLUENCE



POTENTIALLY SIGNIFICANT SOI DETERMINATIONS

The SOI determinations below are potentially significant, as indicated by “yes” or “maybe” answers to the key policy questions in the checklist and corresponding discussion on the following pages.

- Present and Planned Land Uses
- Need for Public Facilities and Services
- Capacity and Adequacy of Provide Services
- Social or Economic Communities of Interest
- Disadvantaged Unincorporated Communities

1. PRESENT AND PLANNED LAND USES

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

	YES	MAYBE	NO
a) Are there any present or planned land uses in the area that would create the need for an expanded service area?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Would the SOI conflict with planned, orderly and efficient patterns of urban development?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Is there a conflict with the adopted SACOG Metropolitan Transportation Plan/Sustainable Communities Strategy?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) Would the SOI result in the loss of prime agricultural land or open space?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) Would the SOI impact the identity of any existing communities; e.g. would it conflict with existing postal zones, school, library, sewer, water census, fire, parks and recreation boundaries?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
f) Are there any natural or made-made obstructions that would impact where services can reasonably be extended or should otherwise be used as a logical SOI boundary?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
g) Would the proposed SOI conflict with a Census boundary, such that it would compromise the ability to obtain discrete data?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion:

- a) *Are there any present or planned land uses in the area that would create the need for an expanded service area?*
 No. Yolo County adopted an updated community plan for Esparto in April 2019 which downzoned some areas back to agricultural uses and reduced the community area.
- b) *Would the SOI conflict with planned, orderly and efficient patterns of urban development?*
 No. The existing SOI exceeds the parcels zoned for development and the proposed SOI would scale back development accordingly.
- c) *Is there a conflict with the adopted SACOG Metropolitan Transportation Plan/Sustainable Communities Strategy?*
 No. The SACOG 2020 MTP/SCS appears to reflect the areas zoned for development prior to the updated April 2019 Esparto Community Plan.
- d) *Would the SOI result in the loss of prime agricultural land or open space?*
 No. Although development of the existing SOI would result in the loss of prime agricultural land, the proposed SOI is smaller in size and would reduce the loss of prime agricultural land since some parcels in the community plan have been downzoned back to agricultural uses.
- e) *Would the SOI impact the identity of any existing communities; e.g. would it conflict with existing postal zones, school, library, sewer, water census, fire, parks and recreation boundaries?*

No. Neither the existing or proposed SOI would impact the community identity of Esparto or conflict with existing postal zones, school, library, sewer, water census, fire, parks and recreation boundaries.

- f) *Are there any natural or made-made obstructions that would impact where services can reasonably be extended or should otherwise be used as a logical SOI boundary?*

No. The existing SOI includes some limited areas that are on the other side of canals or other man made features where services would not reasonably be extended. Therefore, these parcels have been removed from potential development in the 2019 Esparto Community Plan and should also be removed from the SOI accordingly.

- g) *Would the proposed SOI conflict with a Census boundary, such that it would compromise the ability to obtain discrete data?*

No. The proposed SOI would reduce the area of the community.

Present and Planned Land Uses SOI Determination

Yolo County adopted an updated community plan for Esparto in April 2019 which downzoned some areas back to agricultural uses and reduced the community area. The existing SOI now exceeds the parcels zoned for development and should be scaled back accordingly. Development of the existing SOI would now result in the loss of prime agricultural land, now that some parcels in the community plan have been downzoned back to agricultural uses.

2. NEED FOR PUBLIC FACILITIES AND SERVICES

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

	YES	MAYBE	NO
a) Would the SOI conflict with the Commission's goal to increase efficiency and conservation of resources by providing essential services within a framework of controlled growth?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Would the SOI expand services that could be better provided by a city or another agency?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Does the SOI represent premature inducement of growth or facilitate conversion of agriculture or open space lands?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) Does the SOI conflict with the Regional Housing Needs Analysis (RHNA) or other SACOG growth projections?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) Are there any areas that should be removed from the SOI because existing circumstances make development unlikely, there is not sufficient demand to support it or important open space/prime agricultural land should be removed from urbanization?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
f) Have any agency commitments been predicated on expanding the agency's SOI such as roadway projects, shopping centers, educational facilities, economic development or acquisition of parks and open space?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion:

- a) *Would the SOI conflict with the Commission’s goal to increase efficiency and conservation of resources by providing essential services within a framework of controlled growth?*
 No. The proposed SOI would scale back proposed growth.
- b) *Would the SOI expand services that could be better provided by a city or another agency?*
 No. The proposed SOI would scale back proposed growth.
- c) *Does the SOI represent premature inducement of growth or facilitate conversion of agriculture or open space lands?*
 No. The current SOI would induce growth that has been deemed premature by the 2019 Esparto Community Plan. The existing SOI would allow growth on parcels recently downzoned to agricultural uses. The proposed SOI would resolve these issues.
- d) *Does the SOI conflict with the Regional Housing Needs Analysis (RHNA) or other SACOG growth projections?*
 No. SACOG projections reflect County zoning.
- e) *Are there any areas that should be removed from the SOI because existing circumstances make development unlikely, there is not sufficient demand to support it or important open space/prime agricultural land should be removed from urbanization?*
 No. The existing SOI includes some limited areas that are on the other side of canals or other man made features where services would not reasonably be extended. Therefore, these parcels have been removed from potential development in the 2019 Esparto Community Plan and should also be removed from the SOI accordingly.
- f) *Have any agency commitments been predicated on expanding the agency’s SOI such as roadway projects, shopping centers, educational facilities, economic development or acquisition of parks and open space?*
 No. There have been no agency commitments in the areas where the current SOI is proposed to be scaled back.

Need for Public Facilities and Services SOI Determination

Yolo County recently updated the Esparto Community Plan in 2019 and determined through a community process that development areas should be scaled back because development was either not needed or unlikely. The proposed SOI would reduce its size accordingly.

3. CAPACITY AND ADEQUACY OF PROVIDED SERVICES

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

	YES	MAYBE	NO
a) Are there any issues regarding the agency’s capacity to provide services in the proposed SOI territory?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Are there any issues regarding the agency’s willingness and ability to extend services?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion:

a-b) *Are there any issues regarding the agency’s capacity to provide services in the proposed SOI territory? Are there any issues regarding the agency’s willingness and ability to extend services?*

No. The proposed SOI would reduce the area proposed for growth. The Esparto CSD has capacity and willingness to provide services to the lands zoned for growth.

Capacity and Adequacy of Provided Services SOI Determination

The Esparto CSD has capacity and willingness to provide services to the lands zoned for growth. The proposed SOI would reduce the area proposed for growth.

4. SOCIAL OR ECONOMIC COMMUNITIES OF INTEREST

The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.

	YES	MAYBE	NO
a) Are there any “inhabited unincorporated communities” (per adopted Commission policy) within or adjacent to the subject agency’s sphere of influence that are considered “disadvantaged” (same as MSR checklist question 2a)?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion:

a) *Are there any “inhabited unincorporated communities” (per adopted Commission policy) within or adjacent to the subject agency’s sphere of influence that are considered “disadvantaged” (same as MSR checklist question 2a)?*

Please see response to MSR checklist question 2a.

Social or Economic Communities of Interest SOI Determination

The community of Esparto is not disadvantaged and its inhabitants are already provided fire protection, water and sewer services.

5. DISADVANTAGED UNINCORPORATED COMMUNITIES

For an update of an SOI of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

	YES	MAYBE	NO
a) If the subject agency provides public services related to sewers, municipal and industrial water, or structural fire protection, are there any "inhabited unincorporated communities" (per adopted Commission policy) within or adjacent to the subject agency's sphere of influence that are considered "disadvantaged" (80% or less of the statewide median household income) that do not already have access to public water, sewer and structural fire protection (same as MSR checklist question 2a)?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) If yes, does the proposed SOI exclude any disadvantaged unincorporated community (per MSR checklist question 2b) where it either may be feasible to extend services or it is required under SB 244 to be included?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion:

a) *Does the subject agency provide public services related to sewers, municipal and industrial water or structural fire protection (same as MSR checklist question 2a)?*

Please see agency description of services provided.

b) *If yes, does the proposed SOI exclude any disadvantaged unincorporated community (per MSR checklist question 2a) where it either may be feasible to extend services or it is required under SB 244 to be included?*

Please see the response to MSR Checklist question 2b.

Disadvantaged Unincorporated Communities SOI Determination

The community of Esparto is not disadvantaged and its inhabitants are already provided fire protection, water and sewer services.

KNIGHTS LANDING CSD AGENCY PROFILE

The Knights Landing Community Service District (CSD) was established in May 1968 to provide water, wastewater treatment, street lighting, and parks and recreation services to the community of Knights Landing. The CSD received LAFCo approval to add storm drainage services to its list of powers in 2007 for the White Subdivision.

Location

The community of Knights Landing is located on State Highway 113 adjacent to the Sacramento River. The community is bounded on the north by the Sacramento River, on the west by the Colusa Basin Drainage Canal and on the south by the Knights Landing Ridge Cut. The community extends a short distance beyond the abandoned Southern Pacific Railroad embankment to the east. The current boundaries for the Knights Landing CSD roughly correspond to the perimeter of the developed areas in the community of Knights landing. See the map for more details.



History³³

Knights Landing was founded in 1843, by Dr. William Knight, a practicing physician from Baltimore, Maryland. William Knight built on a mound that marked the ancient meeting place of Native Americans inhabiting the regions about Cache Creek and the Sacramento River. The site early demonstrated its importance as a steamboat landing and point of communication between the people east and west of the

³³ https://en.wikipedia.org/wiki/Knights_Landing,_California#History

big central river. When the town was laid out in 1849 they called it Baltimore, but an agreement over the sale of the new town lots could not be amicably arranged and the title Baltimore was lost. Knight established a ferry there, which afterwards passed to the ownership of J. W. Snowball. In 1850 S. R. Smith kept a hotel in the settlement and in 1853 Charles F. Reed surveyed and laid out a townsite and it was given officially the name of Knight's Landing. That year J. W. Snowball and J. J. Perkins opened a large general merchandise store on the Native American mound. On 1 January Capt. J. H. Updegraff opened a hotel with a steamer being run from Sacramento for the accommodation of guests. The establishment was called the "Yolo House." In 1860 D. N. Hershey and George Glascock erected a brick hotel, which took the place of the Yolo House, that inn being retired to the status of a private residence. On March 25, 1890, the Knight's Landing branch of the Southern Pacific Railroad was completed and ready for business, and later the completion of the bridge across the river added immensely to the prosperity of the town.

The Southern Pacific Railroad Company once had a line from Davis and Woodland through Knights Landing, and the line continued to Marysville via a junction in Yuba City. The line now stops a few miles northeast of Woodland.

Grafton Elementary was the only public school in the community, which closed on June 23, 2009. The area is served by Woodland Joint Unified School District. In 2010, the Science and Technology Academy of Knights Landing opened on the former Grafton Elementary campus as a charter school and remains open.

Knights Landing Cemetery is one of several purported final resting places of the stagecoach bandit Charles Bolles, also known as Black Bart. If present, the grave is unmarked.

Governance

The Knights Landing CSD is governed by a five-member Board of Directors. Board members are elected per Government Code Section 61021, however in practice members have typically been appointed by the Yolo County Board of Supervisors in lieu of election because seats are uncontested.

Staff and Consultants

At the outset of this review, the District had two staff members including one full time water/sewer shift operator and one 3/4-time secretary. In addition, the District contracted for needed expertise:

- Laugenour & Meikle, a civil engineering firm in Woodland that provides engineering studies and any needed construction plans for infrastructure improvements/repairs as needed. They also attend all Board meetings and prepare meeting agendas and minutes.
- Morries Anderson, provides expertise (including required certifications), sampling and reporting for the CSD's water system (although notice was provided on May 21, 2020 that Andy Anderson is retiring effective June 30, 2020).
- California Rural Water Association, Specialized Utilities Services Program, which provides expertise (including required certifications), sampling and reporting for the sewer system.

During review, it was discovered that the District was not operating in a financially sustainable manner and in July 2020, the District contracted with the Madison CSD for general manager and staff support. The full time water/sewer shift operator retired and the CSD employees are down to the ¾ time secretary. Contract services with Laugenour & Meikle have been scaled back and operating services with Morries Anderson and the California Rural Water Association (CRWA) have been terminated. The CRWA is still assisting the District with state/federal infrastructure grant applications, however.

KNIGHTS LANDING CSD MUNICIPAL SERVICE REVIEW

POTENTIALLY SIGNIFICANT MSR DETERMINATIONS

The MSR determinations checked below are potentially significant, as indicated by “yes” or “maybe” answers to the key policy questions in the checklist and corresponding discussion on the following pages. If most or all of the determinations are not significant, as indicated by “no” answers, the Commission may find that a MSR update is not warranted.

- | | |
|---|---|
| <input type="checkbox"/> Growth and Population | <input checked="" type="checkbox"/> Shared Services |
| <input type="checkbox"/> Disadvantaged Unincorporated Communities | <input checked="" type="checkbox"/> Accountability |
| <input checked="" type="checkbox"/> Capacity, Adequacy & Infrastructure to Provide Services | <input checked="" type="checkbox"/> Other |
| <input checked="" type="checkbox"/> Financial Ability | |

LAFCO MUNICIPAL SERVICE REVIEW:

- On the basis of this initial evaluation, the required determinations are not significant and staff recommends that an MSR is NOT NECESSARY. The subject agency will be reviewed again in five years per Government Code Section 56425(g).
- The subject agency has potentially significant determinations and staff recommends that a comprehensive MSR IS NECESSARY and has been conducted via this checklist.

1. GROWTH AND POPULATION			
Growth and population projections for the affected area.	YES	MAYBE	NO
a) Will the agency's territory or surrounding area experience any significant population change or development over the next 5-10 years?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Will development have an impact on the subject agency's service needs and demands?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Will projected growth require a change in the agency's service and/or sphere of influence boundary?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion:

Census Designated Place Data Comparison for the CSD’s Communities³⁴

	Yolo (Cacheville)	Esparto	Knights Landing	Madison
Median Household Income	\$77,868 ³⁵	\$75,833	\$42,969	\$41,050
Persons in Poverty	4.7%	10.0%	15.2%	15.7%
High School Degree or Higher	59.1%	83.7%	45.0%	44.9%
Persons Without Health Insurance	0.0%	7.1%	15.1%	11.0%
Median Housing Value	NA ³⁶	\$313,500	\$184,000	\$169,400
Total Housing Units	120	1,105	291	193
Total Businesses ³⁷	NA	196	NA	NA
Households w/ Broadband Internet	54.8%	85.2%	52.2%	68.9%

According to the 2010 Census³⁸, the town of Knights Landing had a population of 995 persons. Fifty-five percent (55%) of the households in Knights Landing speak a language other than English at home, primarily Spanish (48%) with some other Asian or Pacific Island languages as well (7%)³⁹.

a) *Will the agency’s territory or surrounding area experience any significant population change or development over the next 5-10 years?*

No. The unincorporated areas of Yolo County are estimated to have a 1.0% decrease in growth from January 1, 2019 to January 1, 2020⁴⁰. Significant population increases that would affect the CSD’s services are not anticipated.

b-c) *Will development have an impact on the subject agency’s service needs and demands? Will projected growth require a change in the agency’s service and/or sphere of influence boundary?*

No. The Knights Landing CSD’s sphere of influence aligns with the Yolo County Zoning Map for the community, which includes some additional land zoned for growth. Infill development in Knights Landing is severely constrained by FEMA identified flood issues. Main living areas are currently required to be constructed on a second story, which is a significant constraint. Therefore, a sphere of influence update is not needed to accommodate growth.

Growth and Population MSR Determination

The existing Knights Landing CSD’s sphere of influence aligns with the Yolo County Zoning Map for the community, which includes some limited additional land zoned for growth. Therefore, a sphere of influence update is not needed to accommodate growth in the next five years. Infill development in Knights Landing is severely constrained by flood issues. Therefore, significant population increases that would affect the CSD’s services are not anticipated.

³⁴ Source: 2015-2019 American Community Survey 5-Year Estimates

³⁵ American Fact Finder 2018 American Community Survey and 2017 Economic Census

³⁶ NA indicates the data is not available or was not collected for this CDP (Census Designated Place)

³⁷ Source: 2012 Survey of Business Owners: Company Summary

³⁸ American Fact Finder for the Yolo CDP, California

³⁹ American Fact Finder for the Knights Landing CDP, California

⁴⁰ Department of Finance City/County Population estimates with Annual Percent Change, January 1, 2019 and 2020

2. DISADVANTAGED UNINCORPORATED COMMUNITIES

The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.

	YES	MAYBE	NO
a) If the subject agency provides public services related to sewers, municipal and industrial water, or structural fire protection, are there any “inhabited unincorporated communities” (per adopted Commission policy) within or adjacent to the subject agency’s sphere of influence that are considered “disadvantaged” (80% or less of the statewide median household income) that do not already have access to public water, sewer and structural fire protection?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) If “yes” to a), it is feasible for the agency to be reorganized such that it can extend service to the disadvantaged unincorporated community? If “no” to a), this question is marked “no” because it is either not needed or not applicable.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion:

- a) *If the subject agency provides public services related to sewers, municipal and industrial water, or structural fire protection, are there any “inhabited unincorporated communities” (per adopted Commission policy) within or adjacent to the subject agency’s sphere of influence that are considered “disadvantaged” (80% or less of the statewide median household income) that do not already have access to public water, sewer and structural fire protection?*

No. The Knights Landing CSD provides municipal water and wastewater service. The town of Knights Landing is considered an inhabited unincorporated community and is considered disadvantaged. The median household income statewide in 2019 was surveyed at \$80,440⁴¹ and the median household income in Knights Landing is \$42,969⁴², which is 53% of the statewide median. Therefore, Knights Landing is a Disadvantaged Unincorporated Community per state criteria, however it already has access to public water, sewer and structural fire protection services.

- b) *If “yes” to a), it is feasible for the agency to be reorganized such that it can extend service to the disadvantaged unincorporated community? If “no” to a), this question is marked “no” because it is either not needed or not applicable.*

No. The community is already served with municipal water, wastewater and fire protection services. Therefore, the town of Knights Landing is not denied critical services for economic reasons.

Please see Appendix A for a detailed analysis of the fire, water and sewer services available to each of these unincorporated communities. There are no disadvantaged unincorporated communities without these services: (1) within the sphere of influence of another agency that provides them; or (2) where a connection would be feasible due to the distance involved. All disadvantaged unincorporated communities that are adjacent or nearby adjacent municipal services have been connected.

⁴¹ American Community Survey 2019 1-year survey

⁴² American Fact Finder 2018 American Community Survey and 2017 Economic Census

Disadvantaged Unincorporated Communities MSR Determination

Knights Landing qualifies as a Disadvantaged Unincorporated Community at only 53% of statewide median income. However, the community is already provided municipal water, wastewater and fire protection services. Therefore, the town of Knights Landing is not being denied critical municipal services for social or economic reasons.

3. CAPACITY AND ADEQUACY OF PUBLIC FACILITIES AND SERVICES

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.

	YES	MAYBE	NO
a) Are there any deficiencies in agency capacity to meet service needs of existing development within its existing territory (also note number of staff and/or contracts that provide services)? Are there any concerns regarding services provided by the agency being considered adequate (i.e. is there a plan for additional staff or expertise if necessary)?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Are there any issues regarding the agency's capacity to meet the service demand of reasonably foreseeable future growth?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Are there any significant infrastructure needs or deficiencies to be addressed for which the agency has not yet appropriately planned (including deficiencies created by new state regulations)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d) If the agency provides water, wastewater, flood protection, or fire protection services, is the agency not yet considering climate adaptation in its assessment of infrastructure/service needs?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e) Are there any service needs or deficiencies for disadvantaged unincorporated communities related to sewers, municipal and industrial water, and structural fire protection within or contiguous to the agency's sphere of influence?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion:

- a) *Are there any deficiencies in agency capacity to meet service needs of existing development within its existing territory (also note number of staff and/or contracts that provide services)? Are there any concerns regarding services provided by the agency being considered adequate (i.e. is there a plan for additional staff or expertise if necessary)?*

The Knights Landing Community Service District is empowered to provide five municipal services (domestic water, wastewater, storm drainage, street lighting, and parks and recreation) to the residents of Knights Landing. The agency has the capacity to meet current service needs of existing development for water and wastewater, however, most of the systems are 50 years old, have not been properly maintained, and are in need of upgrade/replacement (which is discussed under 3c). The CSD is empowered to provide parks and recreation services, but has not maintained the field adjacent to and owned by the school district for many years.

Water Service

No. The Knights Landing CSD owns, operates and maintains the water system serving the 287⁴³ service connections in community of Knights Landing. According to the County of Yolo Final Facility Master Plan (2011), the system was constructed in the 1970's, and the system's infrastructure includes:

- Three (3) wells: The Railroad Street Well (Well 3), Ridge Cut Well (Well 4), and Third Street Well (Well 5). Well 5 exceeds the MCL for arsenic and has been converted to standby and will only be used in case of an emergency.
- 4, 6, and 8-inch diameter pipes (approximately 5 miles of pipeline ranging from 14 to 50 years old)
- A back-up generator at Well 4 has been purchased but has not yet been installed.

The calculated average day use for the District's water system is 204 gallons per minute (gpm), with a maximum day demand of 695 gpm. Well 3 (constructed in 1971 with a depth of 332 feet) has a capacity of 700 gpm. Well 4 (constructed in 1981 with a depth of 342 feet) has a capacity of 1,000 gpm. Well 5 (constructed in 1999 with a depth of 402 feet) has a capacity of 1,000 gpm. The combined pumping capacity of the three wells should allow the system to meet fire flow requirements (1,500 gpm residential and 2,500 gpm commercial).

In 2015, wells 4 and 5 were damaged, presumably due to drought-related subsidence and, as a precaution, the Yolo County Emergency Operations Center was activated at a low level in case the third and only remaining well also failed (but it did not). The damage in wells 4 and 5 was not catastrophic and submersible wells have been installed in these wells and they are functioning. The Ridge Cut Well (#4) was restored to fully operational status and is now the lead well. County staff assisted the CSD with obtaining a state grant to construct a new well, however, the well pumped too much sand and it could not meet requirements so it was abandoned/destroyed. There is money still available for design improvements that could be used to apply for grant funding. The CSD is looking for a new well site because the need for a new well is anticipated in the 5 to 10-year horizon. The Ridge Cut Well #4 is beyond its lifespan.

The most recent SWRCB enforcement on the Knights Landing CSD water system reporting was in 2016. There are currently no outstanding water quality citations or compliance orders for Knights Landing CSD. The 4-inch and 6-inch diameter piping throughout the system constrains the delivery of flows, and the pipes are in need of expansion to provide adequate pressure for fire flows. Additional work required includes a new electrical service and the standby generators to be installed at the Ridge Cut Well site, installation and implementation of water metering, valve exercising, hydrant repair and a new well/pump station. The system is 50 years old and needs to be replaced. A short term and long term strategic plan needs to be developed for replacement of the system and long term storage needs.

Wastewater Service

No. The Knights Landing CSD owns and operates the wastewater collection and treatment system that serves the residents of Knights Landing. The Madison CSD provides day to day maintenance of the system. According to the 2011 Facility Master Plan, wastewater is sent to the treatment facilities through a collection system consisting of:

- 4-inch diameter service laterals
- 6, 8 and 10-inch diameter vitrified clay pipe mains
- 12-inch diameter trunk sewer
- Sewer lift station

⁴³ CA.GOV Open Data Portal, Drinking water Watch – Public Water System Information, last updated August 10, 2019

Once it reaches the collection system, wastewater drains by gravity to the treatment facility, which consists of:

- 10 facultive ponds
- Spreading area that serves as an emergency holding area during heavy flooding

The system was originally constructed in 1977, and has reached its current configuration in stages over the years. Historically, the wastewater treatment plant has had numerous reporting violations, however, no violations have occurred since May 2014⁴⁴. According to the Facility Master Plan, the existing wastewater system has the capacity to meet the current need, and could also accommodate some additional build out.

The CSD has issues with the sewer lift station, which is beyond its useful lifespan. The emergency alarm was not working at one point, but the situation has been stabilized by the District's new management and operator. The California Rural Water Association is assisting the CSD with obtaining grant funding for replacing the lift station and that application has been submitted (status pending). The CSD also has issues with infiltration of ground water and inflow of storm water in the collection system when the Sacramento River is high for extended periods of time, which can place additional burden on the system.

The 5-Year CIP does not include the wastewater system, nor the storm drainage infrastructure. The KLCSD needs to prepare a comprehensive CIP that addresses needed upgrades and ongoing maintenance of all its infrastructure and facilities.

Storm Drainage Service

No. The CSD provides storm drainage services by maintaining a storm water detention basin for the White Subdivision, which is a housing development that remains only partially built out due to a federal flood moratorium. Storm drainage service was added to the District's list of powers by LAFCo in 2007, at the time the subdivision was approved. LAFCo staff is not aware of any concerns with adequacy, capacity or infrastructure of the CSD's storm drainage services.

Street Lighting Service

No. The District contracts with Pacific Gas & Electric (PG&E) for street lighting services and maintenance of the system. The District largely functions as a pass through agency, collecting fees from residents to pay the PG&E bills. LAFCo staff is not aware of any concerns with adequacy, capacity or infrastructure of the CSD's street lighting service.

Parks and Recreation Service

Not applicable. In 1968, when the CSD was formed, it was authorized to provide parks and recreation services. At one time the District had an agreement to provide community park services and maintenance on the adjacent Grafton Elementary School property. For some years, the school took over its own maintenance, but the park is now in a state of disrepair.

Yolo County recently partnered with the school district on a grant application requesting funds to upgrade the park, but did not receive the grant award and plans to reapply by March 2021. Therefore, the CSD is not currently providing parks and recreation services. Should the park grant be awarded, the County may decide to contract with the CSD for maintenance (like in Esparto), but this scenario is speculative and there is currently no plan to do so. In addition, the CSD was awarded per capita funds from the state towards park facilities. The CSD should work with the school district and Yolo County to apply for the funds since the CSD does not own park facilities itself.

⁴⁴ CA.GOV Open Data Portal, Water Board Wastewater Violations, 2001-2016

- b) *Are there any issues regarding the agency's capacity to meet the service demand of reasonably foreseeable future growth?*

No, only because there is currently little demand for growth due to significant flood issues. The District's water system has the capacity to meet the community's existing water supply needs, but cannot meet fire flow requirements without improvements. However, significant development is not anticipated in the foreseeable future in Knights Landing in part due to FEMA's reclassification of the community as being inside the 100-year floodplain. As a result of the DWR Small Communities Study for Knights Landing, a grant application was submitted by Yolo County to DWR for ring levy improvements that if constructed would reclassify Knights Landing outside of the 100-year flood plain. The County was awarded \$16.1 million to fund: (1) two critical repairs on the Sacramento River; and (2) the design, CEQA/NEPA review and permitting for the ring levy. The County will have to seek additional funding for construction once the project is "shovel-ready", which is anticipated by June 20, 2022.

According to the Yolo County Adopted Zoning Map, dated July 2014, there is some limited development potential for the town of Knights Landing. However, development is significantly constrained by flood issues that require all living areas to be raised up essentially as a second story. As illustrated below, all of the land zoned for urban uses are included either within the current CSD boundary, which is shown as the red boundary, or its sphere of influence (SOI), which is cross-hatched.



- c) *Are there any significant infrastructure needs or deficiencies to be addressed for which the agency has not yet appropriately planned (including deficiencies created by new state regulations)?*

Yes. The CSD's water and sewer system was constructed in 1970 and is in need of an upgrade and/or replacement. The most recent fee increase was set at a rate that would allow funds to be set aside in reserve for this significant expense. However, this has not occurred and is a serious problem.

The KLCSD hired an engineering firm to prepare a 5-year Capital Improvement Plan (CIP), but it only covers the water system only, so it does not present a full picture of the overall needs/costs. Below is

YOLO LAFCO MUNICIPAL SERVICE REVIEW/SPHERE OF INFLUENCE STUDY

a chart which illustrates the infrastructure in need of replacement and priority⁴⁵. The total estimated cost (including recommended markup) of the 5-year CIP is \$25,584,000⁴⁶. Again, this is for the water system only and does include the wastewater system or storm water infrastructure.

Asset	Description	LOF	LOF Score	COF	COF Score	Priority
<i>Wells</i>						
Well 3	Railroad St. Well	-37.5	5	3.3	3	High
Well 4	Ridge Cut Well	-26.5	5	3.3	3	High
Well 5	Third St. Well	-5.5	5	3.3	3	High
<i>Hydropneumatic Tanks</i>						
Tank 3	Railroad St. Well	-45	5	3.9	3	High
Tank 4	Ridge Cut Well	-34	5	3.9	3	High
Tank 5	Third St. Well	-13	5	3.9	3	High
<i>Pipelines</i>						
AC - 1970	Original System	-12.5	5	2.6	2	Medium-High
AC - 1977	Grafton Park	-5.5	5	2.6	2	Medium-High
AC - 1981	Ridge Cut Well	-1.5	5	2.9	2	Medium-High
PVC - 1993	1993 System Upgrade	23	1	2.6	2	Low
PVC - 2002	Third St. Well Facilities	32	1	2.4	2	Low
PVC - 2006	White Subdivision	36	1	2.6	2	Low
<i>Valves</i>						
1970	Original System	-32.5	5	1.2	1	Medium
1977	Grafton Park	-25.5	5	1.2	1	Medium
1981	Ridge Cut Well	-21.5	5	1.2	1	Medium
1993	1993 System Upgrade	-9.5	5	1.2	1	Medium
2002	Third St. Well Facilities	-0.5	5	1.2	1	Medium
2006	White Subdivision	3.5	4	1.2	1	Medium-Low
<i>Hydrants</i>						
1970	Original System	-30	5	2.7	2	Medium-High
1977	Grafton Park	-23	5	2.7	2	Medium-High
2002	Third St. Well Facilities	2	4	2.7	2	Medium
2006	White Subdivision	6	3	2.7	2	Medium-Low

LOF = Likelihood of Failure
COF = Consequence of Failure

- d) *If the agency provides water, wastewater, flood protection, or fire protection services, is the agency not yet considering climate adaptation in its assessment of infrastructure/service needs?*

Yes. According to a December 2019 draft Department of Water Resources (DWR) Drought and Water Shortage Risk Score for each small water supplier (1 is the lowest risk and 100 is highest risk, compared to other small water suppliers), the Knights Landing has a risk score of 70.85, which is relatively high. For comparison, the other CSD's scores are: Cacheville CSD 17.07, Esparto CSD 22.53, and Madison 68.96 and the overall score range for small water suppliers in Yolo County range from 3.69 (UC Davis) to 90.52 (Campers Inn RV & Golf Course located in Dunnigan).

As mentioned under 3a) Knights Landing CSD wells experienced collapses in 2018 presumably due to drought conditions. Knights Landing is not likely affected by PG&E blackouts during high risk fire events, but backup generators to keep the water system operating without power are still needed. Standby generators need to be installed at the Ridge Cut Well site. The backup power system was purchased for Well 4. Currently the district uses a backup diesel pump during power outages or issues with the existing lift station.

⁴⁵ 5-Year Capital Improvement Plan Final Draft, Kennedy Jenks, October 22, 2020

⁴⁶ Table 6-1: Capital Improvement Plan, 5-Year CIP Final Draft, Kennedy Jenks, October 22, 2020

e) *Are there any service needs or deficiencies for disadvantaged unincorporated communities related to sewers, municipal and industrial water, and structural fire protection within or contiguous to the agency's sphere of influence?*

No. Please see the response to 2c.

Capacity and Adequacy of Public Facilities and Services MSR Determination

The CSD's water and sewer system was constructed in 1970 and is in need of an upgrade and/or replacement. The KLCSD has minimally adequate capacity to serve average water demand, but could not withstand peak demands and required fire flows at the same time. The waste water system is also in disrepair, but is currently stabilized for now. Little future infill development in Knights Landing is anticipated over the next 5 years due to significant flood restrictions. DWR has funded design and permitting of a ring levy by June 30, 2022, but this does not include actual construction.

The KLCSD has been nearly "run into the ground" operating for years without a general manager until July 2020. The Board does not seem aware of the seriousness of the situation and how much investment needs to occur in order to bring the system back up to what it should be. The infrastructure and equipment are run down; tools are either missing or not maintained to the point of disrepair. There is also significant deferred maintenance. The most recent fee increase was supposed to provide funds to be set aside in reserve for these significant improvements, however, no set asides or investment occurred, so the CSD continues to fall behind and this continues to be a serious problem.

The KLCSD hired an engineering firm to prepare a 5-year Capital Improvement Plan (CIP), but it only covers the water system only, so it does not present a full picture of the District's overall needs/costs. The total estimated cost (including recommended markup) of the 5-year CIP is \$25,584,000. Again, this is for the water system only and does include the wastewater system or storm water infrastructure.

Capacity and Adequacy of Public Facilities and Services Recommendations

- 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.
- Install the purchased backup generators to keep the water system operating without power at the Ridge Cut Well #4 site.

4. FINANCIAL ABILITY

Financial ability of agencies to provide services.

	YES	MAYBE	NO
a) Is the subject agency in an unstable financial position, i.e. does the 5-year trend analysis indicate any issues?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b) Does the subject agency fail to use generally accepted accounting principles, fully disclosing both positive and negative financial information to the public and financial institutions including: summaries of all fund balances and charges, summaries of revenues and expenditures, five-year financial forecast, general status of reserves, and any un-funded obligations (i.e. pension/retiree benefits)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

YOLO LAFCO MUNICIPAL SERVICE REVIEW/SPHERE OF INFLUENCE STUDY

c) Does the agency need a reconciliation process in place and followed to compare various sets of data to one another; discrepancies identified, investigated and corrective action is taken. For small agencies, this would include comparing budgets to actuals, comparing expenses from one year to the next, etc.?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d) Does the agency board fail to receive periodic financial reports (quarterly or mid-year at a minimum); reports provide a clear and complete picture of the agency's assets and liabilities?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e) Is there an issue with the organization's revenue sources being reliable? For example, is a large percentage of revenue coming from grants or one-time/short-term sources?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
f) Is the organization's rate/fee schedule insufficient to fund an adequate level of service, necessary infrastructure maintenance, replacement and/or any needed expansion and/or is the fee inconsistent with the schedules of similar service organizations?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g) Is the organization needing additional reserve to protect against unexpected events or upcoming significant costs?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h) Does the agency have any debt, and if so, is the organization's debt at an unmanageable level? Does the agency need a clear capital financing and debt management policy, if applicable?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
i) Does the agency need documented accounting policies and procedures including investments (If not, LAFCo has a sample)? Does the agency segregate financial duties among staff and/or board to minimize risk of error or misconduct? Is there a system of authorizations, approval and verification for transactions?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Discussion:

The District maintains its accounting data on an accrual basis of accounting for the water, sewer, lighting and parks and recreation activities which is allowed under generally accepted accounting principles (GAAP) for this entity. The accrual basis of accounting focuses on the long-term health of an entity and includes non-cash transactions such as depreciation of capital asset, adjustments to accrued liabilities, such as pension obligation, other post-employment benefits (OPEB) liability and accrued compensated absences. The data presented above is based on the accrual basis data converted to the modified accrual basis. The modified accrual basis of accounting focuses on the near-term financial health of the District. The modified accrual basis of accounting does not include the above-mentioned non-cash transactions but does include the purchase of capital assets and loan principal repayments as expenditures which the accrual basis does not.

YOLO LAFCo MUNICIPAL SERVICE REVIEW/SPHERE OF INFLUENCE STUDY

**KNIGHTS LANDING COMMUNITY SERVICES DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES (modified)**

	2015	2016	2017	2018	2019	% of Total
Revenue						
Service revenues	\$215,357	\$224,517	\$248,871	\$310,540	\$353,441	57.97%
Property tax related revenue	11,984	12,532	13,918	14,723	15,542	2.94%
Federal and state grants	-	-	-	511,896	369,166	37.75%
Interest income	1,521	4,092	3,047	5,492	17,087	1.34%
Total Revenue	228,862	241,141	265,836	842,651	755,236	100.00%
Expenses						
Maintenance salaries and benefits	53,030	53,737	57,641	64,670	75,569	11.05%
Clerical salaries and benefits	20,038	26,755	25,765	25,666	30,884	4.69%
Maintenance of systems and equipment	73,662	114,811	38,666	39,688	62,440	11.95%
Contracted engineer (L&M)	40,615	61,871	29,239	44,133	44,202	7.99%
Contracted system operators/license	13,000	19,918	27,751	54,004	61,337	6.39%
Laboratory testing and supplies	16,274	14,215	12,938	5,759	9,435	2.13%
Utilities	42,121	27,603	26,635	33,598	34,704	5.98%
Communications	4,018	4,858	4,943	4,698	4,824	0.85%
Insurance	6,489	6,451	6,453	6,391	6,479	1.17%
Administrative expenses	2,603	3,959	17,184	3,589	4,870	1.17%
Permits and enforcement	19,978	19,090	24,888	19,100	20,726	3.77%
Equipment and system improvements	-	-	-	583,393	478,266	38.54%
Other expenditures	873	823	27,345	873	873	1.12%
Debt service - principal and interest	11,558	11,558	11,558	17,092	36,396	3.20%
Total expenses	304,259	365,649	311,006	902,654	871,005	100.00%
Net Change in Fund Balance	(75,397)	(124,508)	(45,170)	(60,003)	(115,769)	
Fund Balance, Beginning	567,187	491,790	367,282	322,112	262,109	
Fund Balance, Ending	491,790	367,282	322,112	262,109	146,340	
Fund Balances						
Restricted for Development Impact Funds	\$252,308	\$254,747	\$256,439	\$259,317	\$263,914	
Unassigned	239,482	112,535	65,673	2,792	(117,574)	
Total Fund Balances	491,790	367,282	322,112	262,109	146,340	
Year-to-Year Change in Total Fund Balance						
Amount Increase (Decrease)	(75,397)	(124,508)	(45,170)	(60,003)	(115,769)	
Percent increase (Decrease)	-13.29%	-25.32%	-12.30%	-18.63%	-44.17%	

a) *Is the subject agency in an unstable financial position, i.e. does the 5-year trend analysis indicate any issues?*

Yes. The District's total fund balance decreased from \$567,187 as of July 1, 2015 to \$146,340 as of June 30, 2019. The ending balance of \$146,340 includes restricted funds of \$263,914 leaving an unrestricted deficit of \$117,574 at the end of 2019. The deficit decreased to \$79,947 at the end of 2020 (not presented) mostly because Yolo County waived \$65,454 of loan interest. The deficit is a direct result of District staff and board members not reviewing relevant financial information on a regular basis thereby not discovering the multiple year deficits that began in fiscal year 2015 and continued through 2020. During the five years presented operating costs have increased on average over \$100,000 per year, while revenues have increased on average only \$60,000 per year. Operating costs from 2010 through 2014 averaged \$215,000 per year, those same costs averaged over \$338,000 from 2015 through 2019. Service rates were not increased sufficiently to offset the increased costs. The increased costs included increases for district staff salary and benefits, system maintenance and contracted engineer and operators. There is no money going into reserve for the most basic failures. A typical

water line break costs anywhere from \$700 to \$2,500, and a well head failure costs approximately \$20,000 - \$30,000. There are no reserves for these foreseeable costs and a failure would wipe out the budget.

The District's revenues consist of property taxes, state subventions, interest earned on surplus funds on deposit with the County Treasury and revenues from providing water, sewer, storm drainage and street lighting services. Over the past 5 years property taxes, state subventions and interest income have increased modestly from \$13,505 in fiscal year 2015 to \$32,629 in fiscal year 2019. These revenues are allocations based on formula and are for the most part are not controlled by the District. Service revenues have increased from \$215,357 in fiscal year 2015 to \$353,441 in fiscal year 2019. Service revenues are subject to Prop 218 which provides that the residents must approve rate increases. The monthly rates in affect during this period ranged from \$44.50 per month per parcel in 2016 to \$69.50 in 2019. An increase to \$74.50 per month occurred for fiscal year 2020 after which the District will need to get voter approval to increase rates further. Future rate increases must be of a sufficient amount to fund prior deficits, to fund a catastrophic reserve and fund a capital improvement plan.

- b) *Does the subject agency fail to use generally accepted accounting principles, fully disclosing both positive and negative financial information to the public and financial institutions including: summaries of all fund balances and charges, summaries of revenues and expenditures, five-year financial forecast, general status of reserves, and any un-funded obligations (i.e. pension/retiree benefits)?*

Yes. The District's accounting transactions are recorded in Yolo County's financial system, known as INFOR. County Department of Financial Services (DFS) staff reviews and enters the financial transactions into INFOR in accordance to generally accepted accounting principles. The District also maintains two bank accounts external to the County Treasury for petty cash transactions and a clearing account used for depositing service revenues before being transferred to the County Treasury. The General Manager's goal is to transition away from the petty cash fund and instead use a CalCard. A drawback of using external accounts is that these transactions are not recorded in the County's system in the proper period, but are recorded in the period when the deposit actually occurs. In addition, a large percentage of expenditure transactions are not recorded in the proper accounts, which makes the County system reports useless to some extent for year-to-year comparisons and budget-to-actual analysis. It is ultimately the District's responsibility that all transactions have been recorded accurately.

Although the District is provided with monthly reports from the County's financial system, the District board has not received adequate financial briefings from staff. In addition, the County-provided financial reports are not reviewed or reformatted to a useful document for the Board. During the preparation of this report LAFCo staff found numerous input errors by County DFS staff that were not detected by DFS staff nor District staff. Up until the General Manager was hired in July 2020, the only financial information the District board received each meeting was current cash balances and a listing of invoices requiring payment prepared by the District Secretary.

The District is audited every two years. The audited financial statements are not very useful either. The revenue and expense data is presented on an object basis only with not any information by account or by service activity. The last audited financial statements for fiscal year ended June 30, 2018 reported an unrestricted net position of \$460,858, when the unrestricted net position should have been reported as a deficit of \$22,352. This significant error went undetected by the District.

- c) *Does the agency need a reconciliation process in place and followed to compare various sets of data to one another; discrepancies identified, investigated and corrective action is taken. For small agencies, this would include comparing budgets to actuals, comparing expenses from one year to the next, etc.?*

Yes. The District does not have qualified staff or a process to review financial data. As previously stated numerous input errors were not detected by the District. Also the current fiscal deficit would have been detected earlier with proper financial review and reporting controls.

- d) *Does the agency board fail to receive periodic financial reports (quarterly or mid-year at a minimum); reports provide a clear and complete picture of the agency's assets and liabilities?*

Yes. Until the new General Manager was hired in July 2020, the Board did not receive adequate financial briefings from staff. The District was provided with monthly reports from the County's financial system, but that information was not reviewed or reformatted to a useful, more understandable document for the Board.

- e) *Is there an issue with the organization's revenue sources being reliable? For example, is a large percentage of revenue coming from grants or one-time/short-term sources?*

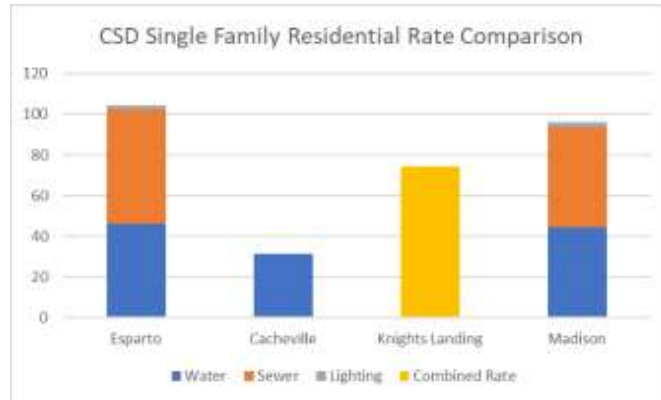
Maybe. The District bills users a flat rate based on the latest Prop 218 proceedings. There are no large customers that could significantly impact District financial position as a result of default. However, several other CSDs are noting revenues are going down due to customer nonpayment associated with the current pandemic. The KLCSD General Manager indicated that there is no mechanism currently to easily track outstanding accounts receivable.

The Knights Landing CSD was notified in 2020 that it was allocated \$177,000 of per capita parks funding from the state. But the CSD must put together a plan/proposal to receive this allocation. Since the KL 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 funds go unused.

- f) *Is the organization's rate/fee schedule insufficient to fund an adequate level of service, necessary infrastructure maintenance, replacement and/or any needed expansion and/or is the fee inconsistent with the schedules of similar service organizations?*

Yes. Service revenues have increased from \$215,357 in fiscal year 2015 to \$353,440 in fiscal year 2019. The service revenues are subject to Prop 218 which provides that residents must approve rate increases. The monthly rates in affect during this period ranged from \$44.50 per month per parcel in 2016 to \$69.50 in 2019. The current rate is \$74.50. The Board was presented with a new rate structure that will increase residential rates to \$86.50 effective 1/1/2021, \$94.50 effective 7/1/2021 and to \$98.50 effective 7/1/2022. The public hearing was initially scheduled for 10/20/2020 but was postponed by the Board to 1/19/2021 apparently due to community misinformation posted on Facebook. Additional delays will only impact the District more by increasing the deficit and delaying repairs and system improvements. In addition, it is estimated the new rates are only expected to set aside \$10,000 for system replacement and only repay the deficit \$20,000. The District ended fiscal year 2020 with an unrestricted deficit of \$79,947. These new rates are still insufficient to finance the prior years' deficits, current cost of operation and needed improvements. Future rate increases are still required to fully fund the District's needs.

Below is a table comparing the single family residential rates for each CSD in the county (in dollars).



In order to fund projects identified in the draft CIP, it is recommended that the District 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. Since the KLCSO service area qualifies as a disadvantaged community, there are several grants and funding opportunities available and with disadvantaged status the match contribution requirements are generally much lower than for non-disadvantaged community utilities, such as those offered by the California State Water Resources Control Board and US Bureau of Reclamation.

- g) *Is the organization needing additional reserve to protect against unexpected events or upcoming significant costs?*

Yes. The District's is projected to end fiscal year 2020 with an unrestricted deficit of \$79,947. Future rate increases would need to be of a sufficient amount to fund prior deficits, and to accumulate funds to create a catastrophic reserve and fund a capital improvement plan.

- h) *Does the agency have any debt, and if so, is the organization's debt at an unmanageable level? Does the agency need a clear capital financing and debt management policy, if applicable?*

No. During fiscal year 2018 the County loaned the District \$900,000 as gap funding to provide cash to construct a new water well that is to be financed with State and Federal grants. The loan is repaid as the District receives the grant reimbursements. As of June 30, 2019 the balance of the loan was \$824,282. The loan was fully repaid in November 2020 and accrued interest of \$65,454 through June 30, 2020 was waived by the County.

- j) *Does the agency need documented accounting policies and procedures including investments (If not, LAFCo has a sample)? Does the agency segregate financial duties among staff and/or board to minimize risk of error or misconduct? Is there a system of authorizations, approval and verification for transactions?*

Yes. The District does not have any documented accounting policies. Usually Yolo County districts rely on the County's Department of Financial Services for policies and some segregation of duties. LAFCo staff recommends that each district document and approve their own accounting policies and procedures. This recommendation was made in LAFCo's 2014 MSR and was not implemented by the District.

Financial Ability MSR Determination

Knights Landing Community Services District is in poor financial condition both in terms of available funds (liquidity) and in terms of qualified staff. The CSD has recently hired a General Manager in July 2020 to steer the District back to solvency, but it will take time to turn things around.

The District's total fund balance decreased from \$567,187 as of July 1, 2015 to \$146,340 as of June 30, 2019. The ending balance of \$146,340 includes restricted funds of \$263,914 leaving an unrestricted deficit of \$117,574 at the end of 2019. The deficit decreased to \$79,947 at the end of 2020 (not presented) mostly because Yolo County waived \$65,454 of loan interest. The deficit is a direct result of District staff and board members not reviewing relevant financial information on a regular basis thereby not discovering the multiple year deficits that began in fiscal year 2015 and continued through 2020. During the five years presented operating costs have increased on average over \$100,000 per year, while revenues have increased on average only \$60,000 per year. Operating costs from 2010 through 2014 averaged \$215,000 per year, those same costs averaged over \$338,000 from 2015 through 2019. Service rates were not increased sufficiently to offset the increased costs. The increased costs included increases for district staff salary and benefits, system maintenance and contracted engineer and operators.

The District is audited every two years, but the revenue and expense data is presented on an object basis only with not any information detailed by account or by service activity. The last audited financial statements for fiscal year ended June 30, 2018 reported an unrestricted net position of \$460,858, when the unrestricted net position was actually a deficit of \$22,352. This significant error went undetected by the District.

The Board was presented with a new rate structure that will increase residential rates to \$86.50 effective 1/1/2021, \$94.50 effective 7/1/2021 and to \$98.50 effective 7/1/2022. The public hearing was initially scheduled for 10/20/2020 but was postponed by the Board to 1/19/2021 apparently due to community misinformation posted on Facebook. Additional delays will only impact the District more by increasing the deficit and delaying repairs and system improvements. In addition, it is estimated the new rates are still insufficient to finance the prior years' deficits, current cost of operation and needed improvements. Future rate increases are still required to fully fund the District's needs.

In order to fund projects identified in the draft CIP, it is recommended that the District 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. Since the KLCSO service area qualifies as a disadvantaged community, there are several grants and funding opportunities available, such as those offered by the California State Water Resources Control Board and US Bureau of Reclamation.

The District ended fiscal year 2020 with an unrestricted deficit of \$79,947. Without quick and decisive actions to resolve the Districts governance/accountability, financial and infrastructure issues, it is in jeopardy of insolvency.

Financial Ability MSR Recommendations

- Adopt the increased rates at the next KLCSO Board meeting on January 19, 2021.
- 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 reserve for infrastructure improvements and replacement.
- 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.
- Board members must make it a board priority to fully understand the District's financial current 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.

- 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.
- 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.
- 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.
- 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.

5. SHARED SERVICES AND FACILITIES

Status of, and opportunities for, shared facilities.

	YES	MAYBE	NO
a) Are there any opportunities for the organization to share services or facilities with neighboring, overlapping or other organizations that are not currently being utilized?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Discussion:

- a) *Are there any opportunities for the organization to share services or facilities with neighboring, overlapping or other organizations that are not currently being utilized?*

Maybe. The KLCSO has recently implemented shared services with the Madison CSD to contract for general manager and staff support. The District also plans to explore sharing billing services with the Esparto CSD which could be implemented as soon as fall 2020.

The District overlaps with several local agencies, including the Knights Landing Cemetery District, Snowball County Service Area, the Knights Landing Ridge Drainage District, and the Knights Landing Fire Protection District (FPD). Most of these organizations serve areas much greater than the service area of the CSD, and provide different services.

The Knights Landing CSD receives a lot of support from Yolo County including applying for State grants funds when the Districts had two of its three wells fail in 2015. In addition, the County partnered on a grant to improve the community park in 2019, but was ultimately unsuccessful.

Shared Services MSR Determination

The KLCSO has recently implemented shared services with the Madison CSD to contract for general manager and staff support. If that relationship proves successful, the KLCSO should consider a full

consolidation. The District also plans to explore sharing billing services with the Esparto CSD which could be implemented as soon as fall 2020.

Shared Services Recommendation

- 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.
- Explore shared services with the Esparto CSD to potentially utilize its billing system and determine if this would be cost effective for the KLCSD.

6. ACCOUNTABILITY, STRUCTURE AND EFFICIENCIES

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

	YES	MAYBE	NO
a) Are there any recommended changes to the organization's governmental structure that will increase accountability and efficiency (i.e. overlapping boundaries that confuse the public, service inefficiencies, and/or higher costs/rates)?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
b) Are there any issues with filling board vacancies and maintaining board members? Is there a lack of board member training regarding the organization's program requirements and financial management?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c) Are any agency officials and designated staff <u>not</u> current in making their Statement of Economic Interests (Form 700) disclosures?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) Are there any issues with staff turnover or operational efficiencies? Is there a lack of staff member training regarding the organization's program requirements and financial management?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) Does the agency need to have a qualified external person review agency finances each year (at a minimum), comparing budgets to actuals, comparing actuals to prior years, analyzing significant differences or changes, and determining if the reports appear reasonable?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
f) Does the agency need to secure independent audits of financial reports that meet California State Controller requirements? Are the same auditors used for more than six years? Are audit results not reviewed in an open meeting?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
g) Does the organization need to improve its public transparency via a website (i.e. a website should contain at a minimum: organization mission/description/boundary, board members, staff, meeting schedule/agendas/minutes, budget, revenue sources including fees for services, if applicable, and audit reports)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h) Does the agency need policies (as applicable) regarding personnel, travel and expense reimbursement, personal use of public resources, and contract bidding?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Discussion:

- a) *Are there any recommended changes to the organization's governmental structure that will increase accountability and efficiency (i.e. overlapping boundaries that confuse the public, service inefficiencies, and/or higher costs/rates)?*

Maybe. Since 2015, the KLCSD has been spending more than its revenues, depleting its fund balance over time such that it has gone into overdraft. District staff include water/sewer operators, a part time secretary and several consultants, and until July 2020 the District was lacking a General Manager. The Board members who have stepped up have experienced significant burnout and there is frequent member turnover, which exacerbates the District's lack of stability. Financial status reports have not been prepared or presented to the Board, so it is unable to know if its own decisions are financially sound.

The District approved a contract in July 2020 with the Madison CSD for general manager and staff services to more cost effectively manage it. It will take some time to turn things around, but if this relationship proves to be successful, the two CSDs should consider a complete consolidation to stabilize the agency.

- b) *Are there any issues with filling board vacancies and maintaining board members? Is there a lack of board member training regarding the organization's program requirements and financial management?*

Yes. The Knights Landing CSD's Board meetings occur on the third Tuesday of every month at 7pm, typically at the Community Center, although having a key to the facility has been a recent issue. Currently the CSD member seats are filled, however, members have frequently vacated their positions before 4-year terms ended and it has been tenuous to find replacements. The previous Chair was considering dissolution of the CSD altogether before replacements were found. Therefore, the issues with board vacancies is very serious. The Board members are not getting adequate training and financial management, which is further exacerbated by the high turnover. Due to high board turnover, a sustained comprehensive strategy is lacking to maintain focus on bringing the CSD's infrastructure back up to where it should be and invest in ongoing maintenance.

LAFCo made a series of recommendations in its 2014 MSR to improve the financial management of the CSD that were not implemented. The CSD's financial management has worsened since the 2014 MSR and the Board is experiencing high turnover and a lack of training.

- c) *Are any agency officials and designated staff not current in making their Statement of Economic Interests (Form 700) disclosures?*

No. Every elected official and public employee who makes or influences governmental decisions is required to submit a Statement of Economic Interest, also known as the Form 700. All Board Members' Form 700 Statements of Economic Interests and Ethics Compliance Training Certificates (per AB 1234) are posted on the District's website.

- d) *Are there any issues with staff turnover or operational efficiencies? Is there a lack of staff member training regarding the organization's program requirements and financial management?*

No. The District had staff that were fulfilling their job responsibilities, but was a lack of a manager as discussed under 6a) above. No one was tasked with financial management of the organization, which has resulted in 5 years of spending in excess of revenues and now the district is in overdraft. LAFCo made a series of recommendations in its 2014 MSR to improve the financial management of the CSD that were not implemented. However, in July 2020 the KLCSD approved a contract with the Madison CSD for General Manager and operator services (and at the same time, the CSD's water/sewer operator retired), so operational efficiencies are expected to improve and need to be monitored because it will take time to turn things around.

- e) *Does the agency need to have a qualified external person review agency finances each year (at a minimum), comparing budgets to actuals, comparing actuals to prior years, analyzing significant differences or changes, and determining if the reports appear reasonable?*

No. The District recently contracted for general manager services and as of July 2020 has staff capacity to review and report agency finances to the board.

- f) *Does the agency need to secure independent audits of financial reports that meet California State Controller requirements? Are the same auditors used for more than six years? Are audit results not reviewed in an open meeting?*

No. The District is current with independent audits and State financial reporting. However, it should be noted there was a significant error in the District's latest audit, which went undetected by the District (see item 4b). The District staff should at a basic level understand the components of a financial statement or hire an outside party to review drafts of them before finalizing them. The District is due for its 2019 and 2020 audit and has included its estimated cost in the current year's budget.

- g) *Does the organization need to improve its public transparency via a website (i.e. a website should contain at a minimum: organization mission/description/boundary, board members, staff, meeting schedule/agendas/minutes, budget, revenue sources including fees for services, if applicable, and audit reports)?*

Yes. The Knights Landing CSD 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. The detailed spreadsheet of needed improvements is attached.

- h) *Does the agency need policies (as applicable) regarding personnel, travel and expense reimbursement, personal use of public resources, and contract bidding?*

Yes. The District does not have any documented policies.

Accountability, Structure and Efficiencies MSR Determination

Leadership and management at the KLCSD was an issue cited in the 2014 Municipal Service Review and the situation has since worsened. Since 2015, the KLCSD has been spending more than its revenues, depleting its fund balance over time such that it has gone into overdraft. District staff include a part time secretary and several consultants, and until July 2020 the District was lacking a General Manager. The Board members who have stepped up to fill in this void have experienced significant burnout, resulting in frequent member turnover, which exacerbated the District's lack of stability.

The District approved a contract in July 2020 with the Madison CSD for general manager and staff services to more cost effectively manage it. Until the new General Manager was hired, financial status reports were not prepared or presented to the Board, so it was unable to know if its decisions were financially sound. It will take some time to turn things around, but if this relationship proves to be successful, the two CSDs should consider a complete consolidation.

Accountability, Structure and Efficiencies Recommendations

- If the July 2020 contract with the Madison CSD for general manager and staff services proves to be successful, consider a change of organization to consolidate both (or more) CSDs into one legal entity.
- Significantly improve Board member training to reduce burnout, turnover, and vacancies.
- 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.
- Adopt policies regarding anti-nepotism/non-discrimination, travel and expense reimbursement, personal use of public resources, and contract bidding.

7. OTHER ISSUES

Any other matter related to effective or efficient service delivery, as required by commission policy.

	YES	MAYBE	NO
a) Are there any recommendations from the agency's previous MSR that have not been implemented?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Discussion:

a) *Are there any recommendations from the agency's previous MSR that have not been implemented?*

Below are the LAFCo recommendations from the last MSR for the Knights Landing CSD adopted in December 2014 with a status of implementation to date.

- LAFCo encourages the District to implement the necessary improvements to the water and wastewater systems (including upsizing of the 4-inch and 6-inch water mains, adding a tank and booster pump to the water system, replacing Well 3, and conducting a cleaning and video inspection of the sewer lines) as funding allows.

Status: the upsizing of water mains has not yet occurred. Wells were replaced due to the 2015 well collapses. The KLCSO will need to pursue grant funding for these improvements. Yolo County helped fund a "jetter" to maintain sewer lines.

- LAFCo encourages the District to continue working with the Central Valley Regional Water Quality Control Board to address its Notice of Violation regarding monitoring and reporting issues.

Status: The Notice of Violation was resolved and there have been no violations since.

- LAFCo recommends that the District begin to build up its reserve, so it can address significant infrastructure upgrades when they become necessary. Additionally, the District may wish to consider including a temporary capital reserve fee in its next Proposition 218 election, to aid in building up the CSD's total reserve.

Status: A reserve was included in the new fee structure approved in 2016, yet the KLCSO failed to build up its reserve to address infrastructure upgrades.

- The District should attempt another Proposition 218 election to raise its rates, and conduct extensive public outreach prior to the vote to educate residents on the need for higher rates.

Status: A new fee structure was approved in 2016, however, District spending has continued to exceed revenues.

- The District might consider developing a long-term infrastructure plan that identifies all potential future repair needs in order to prioritize which repairs to make and how to expend the District's limited resources.

Status: Not implemented as funding for the plan would be required.

- LAFCo encourages the District to develop financial policies, which are helpful in ensuring the financial stability of an organization. At a minimum, the District should adopt financial policies regarding its budget preparation process, reserve and contingency practices, and debt management practices.

Status: Financial policies have not been adopted as recommended in 2014. An update is underway.

- The CSD should request that the Board of Supervisors District 5 Office facilitate a meeting between the Cemetery District, FPD and CSD Boards to gauge their overall willingness to explore

opportunities for shared services, shared administrative functions or overlapping board memberships. LAFCo staff is also willing to participate in the meeting.

Status: This did not occur as it was determined there were not enough resources and capacity among the three districts in Knights Landing to support each other.

8. LAFCo staff recommends that the District consider developing a website, as time and funding allow, to increase the accessibility of information regarding the Districts services and finances. If developed, the website should contain adopted budgets, third party financial audits, and Board of Directors meeting agendas and minutes.

Status: The Knights Landing CSD got a website up and running in 2019. However, it is still a work in progress and received a 34% transparency score in 2019. The detailed spreadsheet of needed improvements is attached.

Other Issues MSR Determination

Some of the 2014 MSR recommendations were followed, while most were not. The most critical item was for the CSD to raise its fees, which it did follow through on successfully. However, with the lack of financial policies and long-term management, the District has deferred needed improvements/maintenance. It has operated in the red since 2015 depleting its reserve and borrowed against restricted reserves.

MADISON CSD AGENCY PROFILE

The Madison Community Services District was formed in 1966 to provide water, wastewater, and park and recreation services to the approximately 727⁴⁷ residents living in the unincorporated community of Madison. Additionally, an agreement between the Madison CSD and Yolo County Housing (YCH) was established in 1968 such that the District provides wastewater treatment and domestic water supply services to the Madison Migrant Center operated by Yolo County Housing (YCH). The Migrant Center is located at the District's eastern boundary, and houses about 300 people during the growing season from April through November each year.

Madison is approximately 68 acres in size and is located along the south side of Highway 16 between Esparto and SR-505. The CSD boundaries are shown below and are roughly bordered along SR 16 to the north, Hurlbut Street to the south, County Road 89 to the east and Tuft Street to the west.



Currently, the District provides domestic water and wastewater supply for 149 residential connections and 12 commercial connections⁴⁸. However, the Migrant Center is technically only 1 connection (but equivalent to 91 dwelling units and the school) billed through a single common connection. The CSD operates 3 wells (2 active) and 4 sewer ponds. It also provides park and recreation services to maintain the community park in the center of town. The Madison CSD also provides street lighting services and the CSD collects fees and passes through to PG&E.

The CSD has a sphere of influence (SOI) outside of its boundary (see map), which aligns with the Yolo County zoning for the community and includes the Madison Migrant Center, the CSD's wastewater treatment ponds and a private truss yard business.

⁴⁷ American Community Survey 2017 population estimate.

⁴⁸ Coleman Engineering Preliminary Engineering Report, draft dated August 9, 2020

The District is governed by a five-member Board of Directors that meets the second Wednesday of every month at 6:00 pm at the District Office. The District is staffed by a full-time General Manager and a full-time Chief Plant Operator. It also contracts for administrative and billing services from the Esparto CSD.



Adopted by Yolo LAFCo July 23, 2015

MADISON CSD MUNICIPAL SERVICE REVIEW

POTENTIALLY SIGNIFICANT MSR DETERMINATIONS

The MSR determinations checked below are potentially significant, as indicated by “yes” or “maybe” answers to the key policy questions in the checklist and corresponding discussion on the following pages. If most or all of the determinations are not significant, as indicated by “no” answers, the Commission may find that a MSR update is not warranted.

- | | |
|--|---|
| <input type="checkbox"/> Growth and Population | <input checked="" type="checkbox"/> Shared Services |
| <input type="checkbox"/> Disadvantaged Unincorporated Communities | <input checked="" type="checkbox"/> Accountability |
| <input type="checkbox"/> Capacity, Adequacy & Infrastructure to Provide Services | <input type="checkbox"/> Other |
| <input checked="" type="checkbox"/> Financial Ability | |

LAFCO MUNICIPAL SERVICE REVIEW:

- On the basis of this initial evaluation, the required determinations are not significant and staff recommends that an MSR is NOT NECESSARY. The subject agency will be reviewed again in five years per Government Code Section 56425(g).
- The subject agency has potentially significant determinations and staff recommends that a comprehensive MSR IS NECESSARY and has been conducted via this checklist.

1. GROWTH AND POPULATION			
Growth and population projections for the affected area.	YES	MAYBE	NO
a) Will the agency’s territory or surrounding area experience any significant population change or development over the next 5-10 years?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Will population change have an impact on the subject agency’s service needs and demands?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Will projected growth require a change in the agency’s service and/or sphere of influence boundary?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion:

Census Designated Place Data Comparison for the CSD’s Communities⁴⁹

	Yolo (Cacheville)	Esparto	Knights Landing	Madison
Median Household Income	\$77,868 ⁵⁰	\$75,833	\$42,969	\$41,050
Persons in Poverty	4.7%	10.0%	15.2%	15.7%
High School Degree or Higher	59.1%	83.7%	45.0%	44.9%
Persons Without Health Insurance	0.0%	7.1%	15.1%	11.0%
Median Housing Value	NA ⁵¹	\$313,500	\$184,000	\$169,400
Total Housing Units	120	1,105	291	193
Total Businesses ⁵²	NA	196	NA	NA
Households w/ Broadband Internet	54.8%	85.2%	52.2%	68.9%

According to the 2010 Census, the total population of Madison was 503⁵³ and is approximately 86% Hispanic or Latino, 10% White, 3% American Indian, and 1% Asian⁵⁴. Seventy eight percent (78%) of the households in Madison speak a language other than English at home, primarily Spanish (75%) with some other Indo-European languages as well (2%)⁵⁵.

a-b) *Will the agency’s territory or surrounding area experience any significant population change or development over the next 5-10 years? Will population change have an impact on the subject agency’s service needs and demands?*

No. The unincorporated areas of Yolo County are estimated to have a 1.0% decrease in growth from January 1, 2019 to January 1, 2020⁵⁶.

c) *Will projected growth require a change in the agency’s service and/or sphere of influence boundary?*

No. The Madison CSD’s sphere of influence aligns with the Yolo County Zoning Map for the community, which includes only a small portion of additional land zoned for growth. For the most part, development will only occur via infill development. Therefore, a sphere of influence update is not needed to accommodate projected growth.

Growth and Population MSR Determination

The existing Madison CSD’s sphere of influence aligns with the Yolo County Zoning Map for the community, which includes only small amounts of additional land zoned for growth. Therefore, a sphere of influence update is not needed to accommodate growth and significant population increases that would affect the CSD’s services are not anticipated.

⁴⁹ Source: 2015-2019 American Community Survey 5-Year Estimates

⁵⁰ American Fact Finder 2018 American Community Survey and 2017 Economic Census

⁵¹ Data not available

⁵² Source: 2012 American Community Survey - Survey of Business Owners: Company Summary

⁵³ Census 2010 Total Population – 2010 Demographic Profile.

⁵⁴ American Community Survey for the Madison CDP (Census Designated Place), California

⁵⁵ 2013-2017 American Community Survey 5-Year Estimates, Language Spoken at Home

⁵⁶ Department of Finance City/County Population estimates with Annual Percent Change, January 1, 2019 and 2020

2. DISADVANTAGED UNINCORPORATED COMMUNITIES

The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.

	YES	MAYBE	NO
a) If the subject agency provides public services related to sewers, municipal and industrial water, or structural fire protection, are there any “inhabited unincorporated communities” (per adopted Commission policy) within or adjacent to the subject agency’s sphere of influence that are considered “disadvantaged” (80% or less of the statewide median household income) that do not already have access to public water, sewer and structural fire protection?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) If “yes” to a), it is feasible for the agency to be reorganized such that it can extend service to the disadvantaged unincorporated community? If “no” to a), this question is marked “no” because it is either not needed or not applicable.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion:

- a) *If the subject agency provides public services related to sewers, municipal and industrial water, or structural fire protection, are there any “inhabited unincorporated communities” (per adopted Commission policy) within or adjacent to the subject agency’s sphere of influence that are considered “disadvantaged” (80% or less of the statewide median household income) that do not already have access to public water, sewer and structural fire protection?*

No. The Madison CSD provides municipal water and wastewater service. The Madison Fire Protection District provides structural fire protection. The town of Madison is considered an inhabited unincorporated community and appears to qualify as disadvantaged per state criteria (please note this is based on estimates and should not be used for grant eligibility). The median household income statewide in 2019 was surveyed at \$80,440⁵⁷ and the median household income in Madison was estimated at \$41,050³, which is 51% of the statewide median (80% is required to qualify as disadvantaged). Therefore, Madison does appear to be a disadvantaged unincorporated community, however, the community is already within the boundaries of the Madison CSD and FPD and already has access to public water, sewer and structural fire protection.

- b) *If “yes” to a), it is feasible for the agency to be reorganized such that it can extend service to the disadvantaged unincorporated community? If “no” to a), this question is marked “no” because it is either not needed or not applicable.*

No. The community is already served with municipal water, wastewater and fire protection services. Therefore, the town of Madison is not being passed over for economic reasons.

Please see Appendix A for a detailed analysis of the fire, water and sewer services available to each of these unincorporated communities. There are no disadvantaged unincorporated communities without these services: (1) within the sphere of influence of another agency that provides them; or (2) where a connection would be feasible due to the distance involved. All disadvantaged unincorporated communities that are adjacent or nearby adjacent municipal services have been connected.

⁵⁷ American Community Survey 2019 1-year survey

Disadvantaged Unincorporated Communities MSR Determination

Madison appears to qualify as a disadvantaged unincorporated community, however, the community is already within the boundaries of the Madison CSD and Madison Fire Protection District and it has access to public water, sewer and structural fire protection. Therefore, the town of Madison is not being passed over for economic reasons

3. CAPACITY AND ADEQUACY OF PUBLIC FACILITIES AND SERVICES

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.

	YES	MAYBE	NO
a) Are there any deficiencies in agency capacity to meet service needs of existing development within its existing territory (also note number of staff and/or contracts that provide services)? Are there any concerns regarding services provided by the agency being considered adequate (i.e. is there a plan for additional staff or expertise if necessary)?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Are there any issues regarding the agency's capacity to meet the service demand of reasonably foreseeable future growth?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Are there any significant infrastructure needs or deficiencies to be addressed for which the agency has not yet appropriately planned (including deficiencies created by new state regulations)?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) If the agency provides water, wastewater, flood protection, or fire protection services, is the agency not yet considering climate adaptation in its assessment of infrastructure/service needs?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) Are there any service needs or deficiencies for disadvantaged unincorporated communities related to sewers, municipal and industrial water, and structural fire protection within or contiguous to the agency's sphere of influence?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion:

- a) *Are there any deficiencies in agency capacity to meet service needs of existing development within its existing territory (also note number of staff and/or contracts that provide services)? Are there any concerns regarding services provided by the agency being considered adequate (i.e. is there a plan for additional staff or expertise if necessary)?*

No. The CSD provides water and sewer connections to 226 residential connections and 12 commercial accounts with 3 wells (2 active) and 4 sewer ponds. It also provides park and recreation services to the community's park. And it collects fees to contract with PG&E to provide street lighting services.

Water Service

The Madison CSD provides domestic water services to the community of Madison and seasonally to the residents of the Madison Migrant Center.

According to the Madison CSD Facility Master Plan (2011), the CSD's domestic water supply and distribution system was constructed in the 1960's and consists primarily of 6-inch diameter pipes made of transite. The system has three wells (Park Wells 1, 2, and 3). Park Well 3 is the primary well with a production rate of 500 gallons per minute (gpm). Park Well 1 is currently out of service until 2021

because it is in need of upgrades. Park Well 2 is considered a back-up well due to sand infiltration problems, and is only capable of approximately 110 gpm.

According to the State Water Resources Control Board's Human Right to Water Portal, which provides violation and enforcement actions, the Madison CSD has had no violations or enforcement actions for its water system. Yolo County Environmental Health also confirmed there are no outstanding water quality citations or compliance orders for Madison CSD.

Overall, the Madison CSD has sufficient water capacity to meet current demands, but is not able to meet state mandated fire flow requirements. The most recent fire flow test was completed prior to the construction of Well 3 in 2010 and found that the system did not meet the state mandated 1,500 gpm (residential) and 2,500 gpm (commercial) fire flow requirements. The addition of Well 3 was expected to accommodate the residential requirement of 1,500 gpm, but not without significant damage to the transite pipes. The system is not capable of meeting the commercial fire flow requirements. In order to address this issue, the Madison Fire Protection District (FPD) has arrangements for a cooperative response from the neighboring Esparto FPD, and also has arrangements for the provision of water tanker trucks to provide additional flows when needed from other agencies such as Yocha Dehe Fire Department, Plainfield FPD and Willow Oak FPD.

The 2011 Facility Master Plan reports that the Madison CSD water system's transite pipe distribution network is prone to water main breaks and leaks, with approximately four to six major breaks per year. The system is also unable to meet state mandated fire flow requirements, as discussed previously. The system requires several near-term improvements to address these issues, including replacement of the transite water main pipes, upsizing of the existing water mains from 6-inch to 12-inch, and the addition of a 0.25 MG storage tank. The District also hopes to add water meters to all connections in order to more accurately charge for water usage.

The CSD has developed a cost estimate for pipeline replacement and upsizing, adding water meters to all homes, and adding additional water storage. The 2020 estimate for the work is \$7.5 million. The CSD does not currently have the funding necessary to conduct these improvements, but plans to pursue possible grant sources.

Wastewater Service

Madison CSD provides wastewater collection and treatment services for the community of Madison. According to the 2011 Facility Master Plan the existing collection system consists of 6-inch and 8-inch vitrified clay pipe that was constructed in the 1960's, which flows by gravity to a treatment pond system. The treatment system consists of four facultive ponds located on a 16.5-acre property, and a submersible pump lift station with a 120 gpm pump and a 4-inch diameter discharge line. In recent years the District has updated the system's headworks, added new wetwell grinder pumps, and installed new flowmeter monitoring equipment, a high water alarm, and a hookup for a generator.

The District's wastewater system has a history of compliance issues with the Central Valley Regional Water Quality Control Board⁵⁸. Since the new CSD general manager was hired in 2007, he has worked with the Water Board on resolving these issues, and has now presented all past due reports and continues to remain current on the required Quarterly Reports.

The CSD's wastewater system has the capacity to serve the current demand and additional infill development in the area. However, this MSR has determined that significant near-term growth in the community of Madison is unlikely, and staff does not expect to be an issue in the 5-year MSR horizon.

The 2011 Facility Master Plan reports that the Madison CSD's wastewater collection system has very few repair or maintenance requirements, but has historically had issues with the infiltration of ground water and inflow of storm water into the collection system, which burdens the system. In order to identify

⁵⁸ CA.GOV Open Data Portal, Water Board Wastewater Violations, 2001-2016

the cause of these issues, the CSD conducted a smoke test on the system to identify any potential leaks or openings that would allow infiltration. The test did not identify any points of entry. Additionally, the CSD added manhole liners to each manhole, and annually inspects the liners for any issues. Based on this work, the CSD believes that the system itself does not have any infiltration issues.

Parks and Recreation Services

The Madison CSD maintains and operates one park within the community of Madison. The park is approximately 1.5 acres and is adjacent to the Madison High School. The park facilities include children's playground equipment, several picnic tables and a field with soccer goals.

Street Lighting Service

The Madison CSD collects payments for street lighting service provided by PG&E with its utility billing, and then pays PG&E for the service. The Madison CSD's street lighting service is essentially a utility billing and collection pass through service to pay PG&E as the actual service provider. LAFCo is not aware of any street lighting issues.

- b) *Are there any issues regarding the agency's capacity to meet the service demand of reasonably foreseeable future growth?*

No. According to the Yolo County Adopted Zoning Map, dated July 2014, there is little development potential for the town of Madison. All of the land zoned for urban uses are included in the current CSD boundary, which is shown as the red boundary, or its sphere of influence (SOI), which is cross-hatched. New connections can only occur via infill development.



- c) *Are there any significant infrastructure needs or deficiencies to be addressed for which the agency has not yet appropriately planned (including deficiencies created by new state regulations)?*

No. The Madison CSD is aware of its significant infrastructure needs and is taking appropriate steps to plan for improvements. It has contracted with Coleman Engineering to prepare an Engineering Report to make recommendation for a new above-ground water storage tank and booster pump station and replacement of the 50+ year old distribution system. The project would solve multiple issues of reliability, health and safety. Total project costs are estimated to be approximately \$7.5 million. The District hopes to be eligible for partial grant funding for this project and finance the balance using low-interest financing. The District plans to seek grant and loan assistance from all known available sources including USDA Rural Development, CDBG funds and State Drinking Water Revolving Loan Funds.

- d) *If the agency provides water, wastewater, flood protection, or fire protection services, is the agency not yet considering climate adaptation in its assessment of infrastructure/service needs?*

No. According to a December 2019 draft Department of Water Resources (DWR) Drought and Water Shortage Risk Score for each small water supplier (1 is the lowest risk and 100 is highest risk, compared to other small water suppliers), the Madison CSD has a risk score of 68.96 which is relatively high. For comparison, the other CSD's scores are: Cacheville CSD 17.07, Esparto CSD 22.53, and Knights Landing CSD 70.85. The overall score range for small water suppliers in Yolo County range from 3.69 (UC Davis) to 90.52 (Campers Inn RV & Golf Course located in Dunnigan). The infrastructure upgrade discussed under item 3c) above would address these safety and reliability concerns.

- e) *Are there any service needs or deficiencies for disadvantaged unincorporated communities related to sewers, municipal and industrial water, and structural fire protection within or contiguous to the agency's sphere of influence?*

No. Please see the response to 2c.

Capacity and Adequacy of Public Facilities and Services MSR Determination

The Madison CSD has the capacity to meet service needs of existing development within its existing territory, however the water system is 50+ years old and experiences on average six major water line breaks each year, and generally has health and reliability issues. It also does not meet the minimum standards for required fire flows for safety. The CSD is keenly aware of these deficiencies and is already in the process of completing an engineering study to determine recommended infrastructure upgrades. Cost estimates are approximately \$7.5 million. The District hopes to be eligible for partial grant funding for this project and finance the balance using low-interest financing. The District plans to seek grant and loan assistance from all known available sources including USDA Rural Development, CDBG funds and State Drinking Water Revolving Loan Funds.

4. FINANCIAL ABILITY

Financial ability of agencies to provide services.

	YES	MAYBE	NO
a) Is the subject agency in an unstable financial position, i.e. does the 5-year trend analysis indicate any issues?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Does the subject agency fail to use generally accepted accounting principles, fully disclosing both positive and negative financial information to the public and financial institutions including: summaries of all fund balances and charges, summaries of revenues and expenditures, five-year financial forecast, general status of reserves, and any un-funded obligations (i.e. pension/retiree benefits)?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Does the agency need a reconciliation process in place and followed to compare various sets of data to one another; discrepancies identified, investigated and corrective action is taken. For small agencies, this would include comparing budgets to actuals, comparing expenses from one year to the next, etc.?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) Does the agency board fail to receive periodic financial reports (quarterly or mid-year at a minimum); reports provide a clear and complete picture of the agency's assets and liabilities?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

YOLO LAFCO MUNICIPAL SERVICE REVIEW/SPHERE OF INFLUENCE STUDY

e) Is there an issue with the organization's revenue sources being reliable? For example, is a large percentage of revenue coming from grants or one-time/short-term sources?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
f) Is the organization's rate/fee schedule insufficient to fund an adequate level of service, necessary infrastructure maintenance, replacement and/or any needed expansion and/or is the fee inconsistent with the schedules of similar service organizations?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
g) Is the organization needing additional reserve to protect against unexpected events or upcoming significant costs?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h) Does the agency have any debt, and if so, is the organization's debt at an unmanageable level? Does the agency need a clear capital financing and debt management policy, if applicable?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
i) Does the agency need documented accounting policies and procedures including investments (If not, LAFCo has a sample)? Does the agency segregate financial duties among staff and/or board to minimize risk of error or misconduct? Is there a system of authorizations, approval and verification for transactions?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Discussion:

The District maintains its accounting data on an accrual basis of accounting for the water, sewer, lighting and parks and recreation activities which is allowed under generally accepted accounting principles (GAAP) for this entity. The accrual basis of accounting focuses on the long-term health of an entity and includes non-cash transactions such as depreciation of capital asset, adjustments to accrued liabilities, such as pension obligation, other post-employment benefits (OPEB) liability and accrued compensated absences. The data presented above is based on the accrual basis data converted to the modified accrual basis. The modified accrual basis of accounting focuses on the near-term financial health of the District. The modified accrual basis of accounting does not include the above-mentioned non-cash transactions but does include the purchase of capital assets and loan principal repayments as expenditures which the accrual basis does not.

YOLO LAFCo MUNICIPAL SERVICE REVIEW/SPHERE OF INFLUENCE STUDY

	2015	2016	2017	2018	2019	% of Total
Revenue						
Service revenues	\$ 232,542	\$ 247,879	\$ 233,950	\$ 254,146	\$ 258,011	91.10%
Interest income	967	3,366	2,356	4,713	10,641	1.64%
Other governmental capital grants	-	-	34,446	-	50,227	6.29%
Sale of capital assets	-	-	13,100	-	-	0.97%
Total Revenue	233,509	251,245	283,852	258,859	318,879	100.00%
Expenses						
Maintenance salaries and benefits	70,497	70,732	70,421	68,994	69,241	27.75%
Clerical salaries and benefits	16,255	16,289	16,045	154	-	3.87%
Maintenance of systems and equipment	41,503	31,578	66,269	54,306	70,627	20.97%
Contracted system operators/license	11,949	11,975	9,441	8,912	7,834	3.98%
Laboratory testing and supplies	10,987	9,502	11,786	12,593	10,987	4.43%
Utilities	14,270	14,030	15,415	16,413	14,714	5.94%
Communications	1,557	2,010	2,947	2,336	2,702	0.92%
Insurance	10,066	10,085	9,765	9,485	9,491	3.88%
Administrative expenses	12,525	8,236	19,134	18,051	48,708	8.46%
Permits and enforcement	15,954	16,274	16,902	17,604	18,414	6.76%
Equipment and system improvements	-	-	31,175	17,696	9,843	4.66%
Debt service - principal and interest	15,554	15,554	15,554	15,554	43,433	8.38%
Total Expenses	221,117	206,265	284,854	242,098	305,994	100.00%
Net Change in Fund Balance	12,392	44,980	(1,002)	16,761	12,885	
Fund Balance, Beginning	313,036	325,428	370,408	369,406	386,167	
Fund Balance, Ending	\$ 325,428	\$ 370,408	\$ 369,406	\$ 386,167	\$ 399,052	
Fund Balances						
Restricted for Development Impact Fees	\$ 2,587	\$ 2,612	\$ 2,629	\$ 2,666	\$ 2,726	
Unrestricted	322,841	367,796	366,777	383,501	396,326	
Total Fund Balances	\$ 325,428	\$ 370,408	\$ 369,406	\$ 386,167	\$ 399,052	
Year-to-Year Change in Total Fund Balance						
Amount Increase (Decrease)	12,392	44,980	(1,002)	16,761	12,885	
Percent increase (Decrease)	3.96%	13.82%	-0.27%	4.54%	3.34%	

- a) *Is the subject agency in an unstable financial position, i.e. does the 5-year trend analysis indicate any issues?*

No. The 5-year trend does not indicate a current unstable financial position. The District's service revenue increased steadily from \$232,542 in 2015 to \$258,011 in 2019. Expenses have fluctuated year-to-year as needs arise but have not increased in a manner to suggest there is a problem. Fiscal year's 2019 expenses were almost \$70,000 higher than the previous year due to nonrecurring expenses for audits, an infrastructure study and accelerated debt service payments. The District also received grants from Yolo County and the Yocha Dehe Wintun Nation of \$34,446 and \$50,000 in fiscal years 2017 and 2019, respectively. The one-time grants were used to purchase much needed equipment. Except for the use of grant funds to purchase equipment the District has not invested in system improvements over the past five years.

The District has net income four of the five years presented and has an accumulated net income of \$86,016 over the past five years which has increased total fund balance from \$313,036 at the end of 2014 to \$399,052 as of 2019.

- b) *Does the subject agency fail to use generally accepted accounting principles, fully disclosing both positive and negative financial information to the public and financial institutions including: summaries of all fund balances and charges, summaries of revenues and expenditures, five-year financial forecast, general status of reserves, and any un-funded obligations (i.e. pension/retiree benefits)?*

No. The District's accounting records are maintained on the County's financial system. Currently, District staff are not given the ability to enter directly into the system due to security issues. All financial transactions are processed by the County's Department of Financial Services (DFS) staff which provides some review of transactions submitted by the district and ensures the transactions comply with generally accepted accounting principles. District staff can either run their own monthly reports from the County's financial system or have DFS staff run the reports and distribute them to the District. The monthly reports include a trial balance, general ledger and a budget to actual report. These reports and the system in general are not very user friendly. As a result, the District's general manager does not provide the board with the system reports but instead compiles a separate monthly financial report which includes cash balances, current invoices requiring payment, revenue received to date and a line-item year-to-date budget variance report. The data for these reports are taken from the system reports and from other sources. The board also receives audited financial statements as they are completed.

- c) *Does the agency need a reconciliation process in place and followed to compare various sets of data to one another; discrepancies identified, investigated and corrective action is taken. For small agencies, this would include comparing budgets to actuals, comparing expenses from one year to the next, etc.?*

No. The general manager reviews the monthly reports generated by the County's financial system and uses the data from the reports to compile a monthly financial report for the Board of Directors which includes a budget-to-actual report.

- d) *Does the agency board fail to receive periodic financial reports (quarterly or mid-year at a minimum); reports provide a clear and complete picture of the agency's assets and liabilities?*

No. The District board only receives a monthly financial report as described in c) above.

- e) *Is there an issue with the organization's revenue sources being reliable? For example, is a large percentage of revenue coming from grants or one-time/short-term sources?*

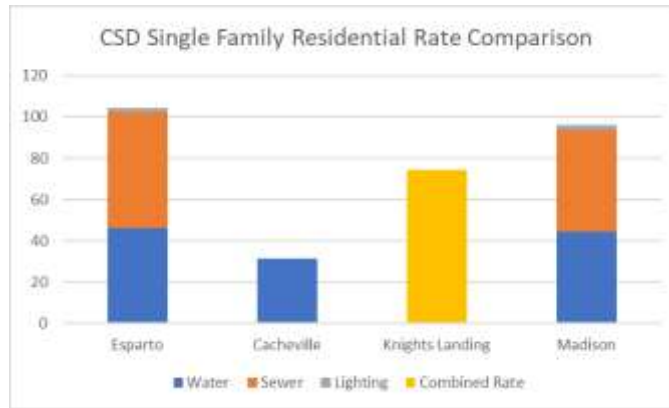
Maybe. The migrant center operated by the Yolo County Housing (YCH) provides more than 30% of the billed service revenues. Should YCH ever decide to build their own well it would cause a significant financial hardship to the District. However, YCH constructing its own well is unlikely because a previous well was decommissioned due to contamination issues and state and county policies discourage new public water systems when there is a municipal system available.

The CSD also reports that revenues are down due to customers not paying their bills timely due to the COVID-related recession. The CSD is essentially loaning funds to ratepayers and is unable to charge late fees or shut off water. The moratorium on shut offs is understandable, however, special districts did not receive any CARES Act funding as cities and the County did. And special districts have less reserves to handle such unforeseen costs.

- f) *Is the organization's rate/fee schedule insufficient to fund an adequate level of service, necessary infrastructure maintenance, replacement and/or any needed expansion and/or is the fee inconsistent with the schedules of similar service organizations?*

Maybe. Current rates are sufficient to operate and provide ongoing maintenance to for the water and sewer systems as is and to provide a modest unrestricted fund balance of \$396,326 as of June 30, 2019. However, improvements required to bring the system current with state and county requirements are estimated at \$7.5 million. The current rate cannot provide sufficient cash for the required improvements. The District is reliant on grants and low interest loans to make system improvements. Also there currently is not a specific service charge to fund the maintenance of the park.

Below is a table comparing the single family residential rates for each CSD in the county (in dollars).



- g) *Is the organization needing additional reserve to protect against unexpected events or upcoming significant costs?*

Yes. The District does not have a reserve policy. Currently, the District has an unrestricted fund balance of \$396,052 as of June 30, 2019. Without formally identifying potential unexpected events and other upcoming significant costs the adequacy of this balance is not known.

- h) *Does the agency have any debt, and if so, is the organization’s debt at an unmanageable level? Does the agency need a clear capital financing and debt management policy, if applicable?*

Maybe. As of June 30, 2019 the District owes the County \$101,410 in loans that financed waste water system improvements in 2006 and 2011. The annual required debt service is about \$10,500 annually. One loan is scheduled to be paid off in 2026 the other in 2037. Currently these loans are manageable, however, the concern is that the CSD does not have a capital financing and debt management policies. Being that the district is in need of system improvements and does not currently have sufficient resources to acquire the improvements having comprehensive policies would provide guidance on how and when to finance the improvements.

- i) *Does the agency need documented accounting policies and procedures including investments (If not, LAFCo has a sample)? Does the agency segregate financial duties among staff and/or board to minimize risk of error or misconduct? Is there a system of authorizations, approval and verification for transactions?*

Yes. The agency does not have any accounting or financial policies. In the past there were issues of segregation of duties particularly concerning the billing and collection tasks performed by the clerical staff. Segregation of duties surrounding billing and collections has been mitigated by contracting these services to the Esparto Community Services District (ECSD) in 2018. Currently all invoices and monthly financial reports are reviewed by the general manager and approved by the board of directors. Daily deposit reports, monthly billing reports and collection reports are provided by the ECSD and reviewed by the Madison CSD general manager. Therefore, the segregation of duties issues has been resolved but the CSD still needs accounting and financial policies.

Financial Ability MSR Determination

Currently, Madison CSD finances are stable. Both revenues and expenses have been consistent from year-to-year with revenues exceeding expenses four of the five years presented in this report and total fund balance has increased by almost \$86,016. However, the District should be more proactive about developing a robust set of accounting and financial policies to ensure that financial transactions are reported accurately and consistently in the financial system and to develop a more comprehensive periodic report for the Board of Directors and for the public. As long as the District adheres to its prudent financial practices and is able

to identify and quantify unforeseen events and upcoming system improvements to mitigate potential financial shortfalls it should remain viable in the long term.

Financial Ability MSR Recommendations

- Include an accounts receivable aging report in the District Board’s monthly financial report.
- Develop reserve policies to mitigate against potential unforeseen catastrophic losses and to finance needed infrastructure improvements.
- 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.
- Develop accounting, financial and general administrative polices to help guide its decision making in a rational and consistent manner.

5. SHARED SERVICES AND FACILITIES

Status of, and opportunities for, shared facilities.

	YES	MAYBE	NO
a) Are there any opportunities for the organization to share services or facilities with neighboring, overlapping or other organizations that are not currently being utilized?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Discussion:

- a) *Are there any opportunities for the organization to share services or facilities with neighboring, overlapping or other organizations that are not currently being utilized?*

Maybe. The Madison CSD is located only about 3.5 miles to the east of Esparto along State Route 16 and some sharing of administrative staff, billing services and some equipment with the Esparto CSD is already occurring. The Madison CSD also implemented a shared services contract in July 2020 with the Knights Landing CSD for general manager and staff support. If this relationship proves successful, a consolidation should be considered.

Shared Services MSR Determination

The Madison CSD is already sharing services with the Esparto CSD and the Knights Landing CSD. LAFCo is not aware of any additional opportunities to share services or facilities that are not currently being utilized.

Shared Services MSR Recommendation

Consider consolidation with the Knights Landing CSD (and other CSDs as appropriate) if a shared services contract relationship is determined to be successful.

6. ACCOUNTABILITY, STRUCTURE AND EFFICIENCIES

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

	YES	MAYBE	NO
a) Are there any recommended changes to the organization's governmental structure that will increase accountability and efficiency (i.e. overlapping boundaries that confuse the public, service inefficiencies, and/or higher costs/rates)?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Are there any issues with filling board vacancies and maintaining board members? Is there a lack of board member training regarding the organization's program requirements and financial management?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Are any agency officials and designated staff <u>not</u> current in making their Statement of Economic Interests (Form 700) disclosures?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) Are there any issues with staff turnover or operational efficiencies? Is there a lack of staff member training regarding the organization's program requirements and financial management?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) Does the agency need to have a qualified external person review agency finances each year (at a minimum), comparing budgets to actuals, comparing actuals to prior years, analyzing significant differences or changes, and determining if the reports appear reasonable?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
f) Does the agency need to secure independent audits of financial reports that meet California State Controller requirements? Are the same auditors used for more than six years? Are audit results not reviewed in an open meeting?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
g) Does the organization need to improve its public transparency via a website (i.e. a website should contain at a minimum: organization mission/description/boundary, board members, staff, meeting schedule/agendas/minutes, budget, revenue sources including fees for services, if applicable, and audit reports)?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h) Does the agency need policies (as applicable) regarding personnel, travel and expense reimbursement, personal use of public resources, and contract bidding?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Discussion:

a) *Are there any recommended changes to the organization's governmental structure that will increase accountability and efficiency (i.e. overlapping boundaries that confuse the public, service inefficiencies, and/or higher costs/rates)?*

No. Please see the responses to 4f and 5a.

b) *Are there any issues with filling board vacancies and maintaining board members? Is there a lack of board member training regarding the organization's program requirements and financial management?*

No. The Madison CSD's Board meetings occur on the second Wednesday of every month at 6pm at the District office. The Board has been relatively stable, with five changes during the past 5 years due to relocation. All 5 member seats have been replaced and are currently filled. Elections are managed by the Yolo County Elections office.

c) *Are any agency officials and designated staff not current in making their Statement of Economic Interests (Form 700) disclosures?*

No. The Madison CSD has been determined to be exempt from filing a Conflict of Interest Code because it has an annual operating budget (exclusive of salaries) less than \$150,000.

- d) *Are there any issues with staff turnover or operational efficiencies? Is there a lack of staff member training regarding the organization's program requirements and financial management?*

No. The District's clerical employee position was eliminated at the end of fiscal year 2017 and since then the District has had one employee, the general manager. The District contracts with Esparto CSD for administrative services including billing, collections and maintaining accounts receivable. Beginning in 2020, the shared services contract with Knights Landing CSD has provided the resources to fund a full-time Chief Plant Operator as a second employee shared between both CSDs.

- d) *Does the agency need to have a qualified external person review agency finances each year (at a minimum), comparing budgets to actuals, comparing actuals to prior years, analyzing significant differences or changes, and determining if the reports appear reasonable?*

No. The general manager reviews the monthly financial reports generated from the County's financial systems and uses data from these reports to compile the monthly financial report that is presented to the District board. In addition, the District is currently on a 2-year audit cycle.

- f) *Does the agency need to secure independent audits of financial reports that meet California State Controller requirements? Are the same auditors used for more than six years? Are audit results not reviewed in an open meeting?*

No. The District has been assigned to a 2-year audit cycle by the Yolo County Department of Financial Services. During the past 5 years, audits for fiscal years 2007 - 2016 have been completed and fiscal years 2017 - 2019 audits were completed in September 2020. However, the same auditor has been used to complete all of these audits, so the CSD should consider a different auditor for the next cycle.

- g) *Does the organization need to improve its public transparency via a website (i.e. a website should contain at a minimum: organization mission/description/boundary, board members, staff, meeting schedule/agendas/minutes, budget, revenue sources including fees for services, if applicable, and audit reports)?*

Yes. The CSD should be commended for getting a new website up and running in 2019, however it is still a work in progress. The Madison CSD received a 32% transparency score in 2020.

- h) *Does the agency need policies (as applicable) regarding personnel, travel and expense reimbursement, personal use of public resources, and contract bidding?*

Yes. The district adopted Board of Directors Rules, Regulations and Procedures in 2015 but still needs to adopt General and Administrative, Personnel and Payroll and Financial and Accounting policies.

Accountability, Structure and Efficiencies MSR Determination

There are no recommended changes to the organization's governmental structure that will increase accountability and efficiency. Board members and staff have been relatively stable. The Madison CSD is catching up on its independent audits of financial reports but should consider using a different auditor next cycle. Transparency content on the CSD's website needs to improve from its 2020 score of 32%. The District also needs to take the time to adopt policies regarding personnel, travel and expense reimbursement, personal use of public resources, and contract bidding.

Accountability, Structure and Efficiencies Recommendations

- Consider using a different auditor for the Madison CSD's next audit.
- 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.

- The District should adopt policies regarding personnel, travel and expense reimbursement, personal use of public resources, and contract bidding.

7. OTHER ISSUES

Any other matter related to effective or efficient service delivery, as required by commission policy.

	YES	MAYBE	NO
a) Is there any other matter related to effective or efficient service delivery, as required by commission policy?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Discussion:

- a) *Is there any other matter related to effective or efficient service delivery, as required by commission policy?*

Maybe. Below are the LAFCo recommendations from the last MSR for the Madison CSD adopted in July 2015 with a status of implementation to date.

2015 Recommendations

1. The District should continue working with the Central Valley Regional Water Quality Control Board to remain in compliance with water quality standards, and to meet the terms of the Cease-and-Desist Order.

Status: Completed. The State's cease and desist order has been lifted.

2. The District should continue monitoring odor levels at the wastewater treatment ponds, and mitigate any issues that arise.

Status: Completed.

3. The District should implement as funding allows the suggested improvement in the Madison CSD 2011 Facility Master Plan (including replacement and upsizing of the transite water pipes at the water facility, and adding a 0.25 MG storage tank at the water facility).

Status: The CSD is currently in the process of completing and engineering study and intends to pursue all available grant and low-interest loan funding to complete needed infrastructure improvements.

4. The District might consider conducting a Proposition 218 election to raise its rates (particularly for its water service), in order to provide it with a funding stream sufficient to conduct the necessary maintenance and repairs to its systems. The District should consult with its legal counsel (County Counsel's Office) to discuss options.

Status: Completed.

5. The District should get caught up on its overdue audits, and ensure that independent audits are conducted on a regular basis moving forward, to monitor the financial health of the organization.

Status: Completed.

6. LAFCo encourages the District to develop financial policies, which are helpful in ensuring the financial stability of an organization. At a minimum, the District should adopt financial policies on

its budget preparation process, reserve and contingency practices, and debt management practices.

Status: Not completed. Recommendation included again in this MSR.

7. The District should consider developing a dedicated (interest earning) reserve account, rather than keeping its reserve funds in the fund balance.

Status: The District's fund balance (available funds or unrestricted net position) does accrue interest. All cash the district maintains in the County pool earns interest.

8. The District has several significant and costly infrastructure upgrades to plan for in the future, and may benefit from developing two separate reserves (one for unexpected events and one meant to save for significant upcoming infrastructure upgrades).

Status: Not completed. Recommendation included again in this MSR.

9. The District might consider developing a long-term infrastructure plan that identifies all potential future repair needs in order to prioritize which repairs to make and how to expend the District's limited resources. This plan should specifically address the long-term funding need for the installation of water meters.

Status: In process.

10. The District should become a member of the California Special Districts Association (CSDA) in order to have resources to obtain financial policy templates that reflect best practices, remain updated on potential funding opportunities for infrastructure upgrades.

Status: Completed. The CSD has been a member since 2016.

11. The District and Esparto Community Services District (as well as any other special districts in the area) should explore opportunities for shared administrative functions (such as staff, leadership or infrastructure and equipment) to achieve cost savings. LAFCo is available to help facilitate these conversations if desired by the District.

Status: Completed.

12. The District should consider utilizing the pooled purchasing services offered to special districts by Yolo County to improve buying power and reduce costs.

Status: The CSD has looked into this, but generally purchased used equipment so has not been able to utilize this opportunity yet.

13. The District should consider developing a website for communication with the public, as time and resources allow.

Status: Completed.

14. The District should explore opportunities to reduce costs by sharing administrative functions with the Esparto CSD, or other special districts in the area.

Status: Completed.

LAFCo staff recommends that all Board members immediately catch up on their required training (if currently *not* in compliance) and then remain in compliance with the adopted policy on an ongoing basis.

Status: The CSD completed this, but had recent turnover and needs to catch back up.

Other Issues MSR Determination

Most of the 2015 MSR recommendations have been either completed or are currently in process. Only 1 of the 15 has not been either implemented or is in process, and has been reiterated as recommendations again in this 2020 MSR.

MADISON CSD SPHERE OF INFLUENCE STUDY

On the basis of the Municipal Service Review:

- Staff has reviewed the agency’s Sphere of Influence and recommends that a SOI Update is NOT NECESSARY in accordance with Government Code Section 56425(g). Therefore, NO CHANGE to the agency’s SOI is recommended and SOI determinations HAVE NOT been made.
- Staff has reviewed the agency’s Sphere of Influence and recommends that a SOI Update IS NECESSARY in accordance with Government Code Section 56425(g). Therefore, A CHANGE to the agency’s SOI is recommended and SOI determinations HAVE been made and are included in this MSR/SOI study.

SPHERE OF INFLUENCE MAP(S)

