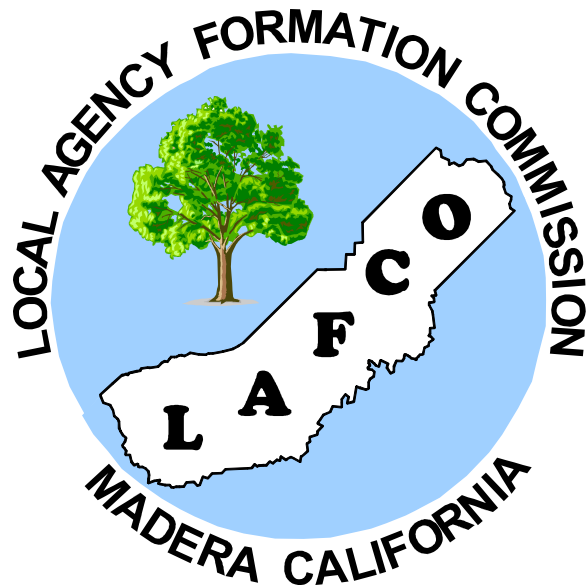

**MADERA
LOCAL AGENCY FORMATION COMMISSION**

**GREATER RIO MESA AREA
MUNICIPAL SERVICE REVIEW**



May 2010

GREATER RIO MESA AREA MUNICIPAL SERVICE REVIEW

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May 2010

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SECTION 1.0 INTRODUCTION

1.1 Municipal Service Review Purpose

The MSR process is a comprehensive assessment of the ability of existing government agencies to effectively and efficiently provide services to residents and users. The form and content of the MSR is governed by requirements of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act) and the State of California's Local Agency Formation Commission (LAFCo) MSR Guidelines (Guidelines), published in August 2003.

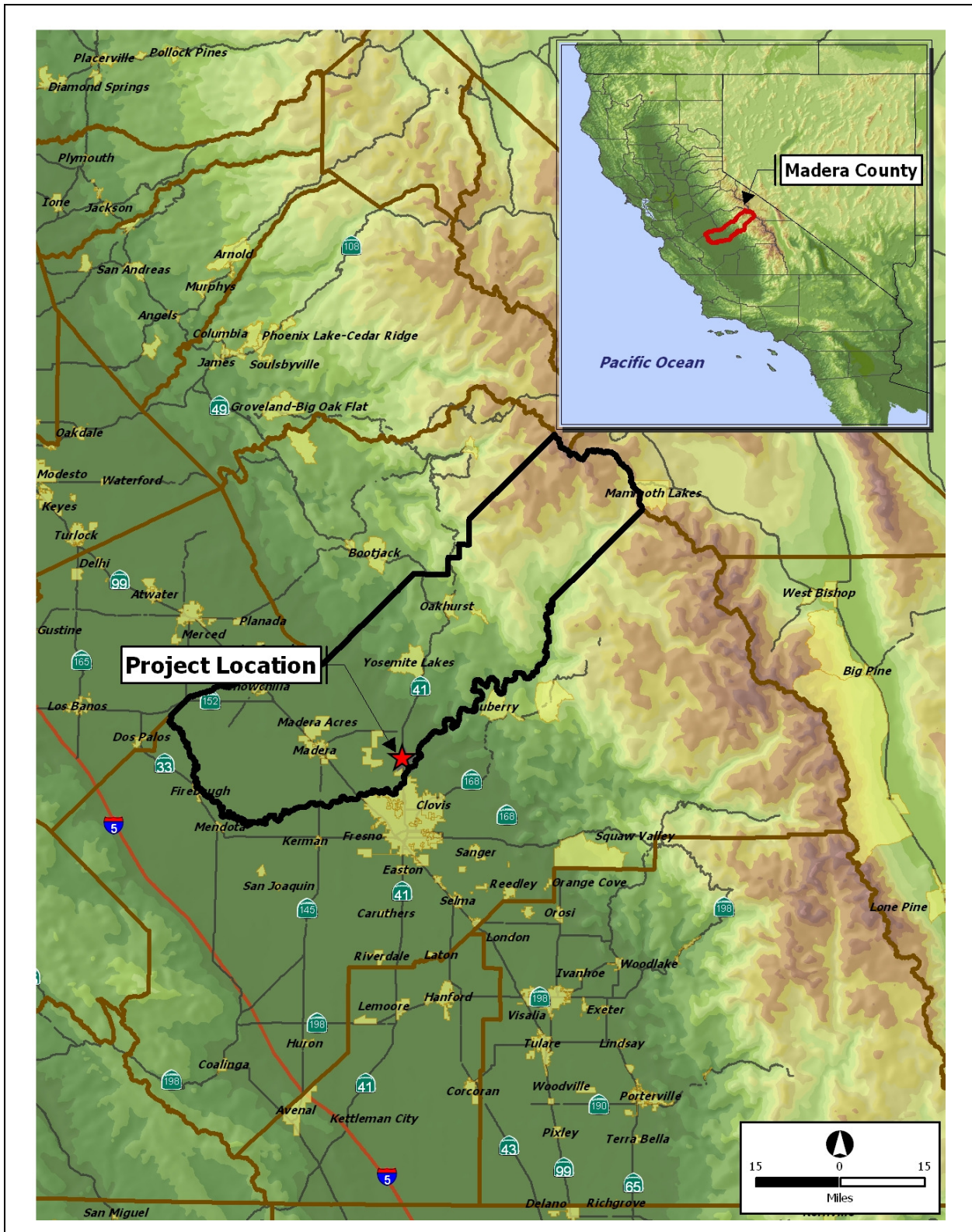
The CKH Act requires all LAFCOs, including Madera LAFCo, to prepare a MSR for each of its incorporated cities and its special districts. The fundamental role of LAFCo is to implement the CKH Act, providing for the logical, efficient, and most appropriate formation of local municipalities, service areas, and special districts. These MSRs must be completed prior to, or in conjunction with, the update of a Sphere of Influence (SOI) or before LAFCo initiates any reorganization of district boundaries.

This review is intended to provide Madera LAFCo with all necessary and relevant information related to the operations and management of the seven service providers within the greater Rio Mesa area of Madera County. This area is located on both sides of Highway 41, between Highway 145 and the San Joaquin River (see Figure 1-1). This information may be used in considering an update to the SOI or boundary of any of the districts discussed in the MSR.

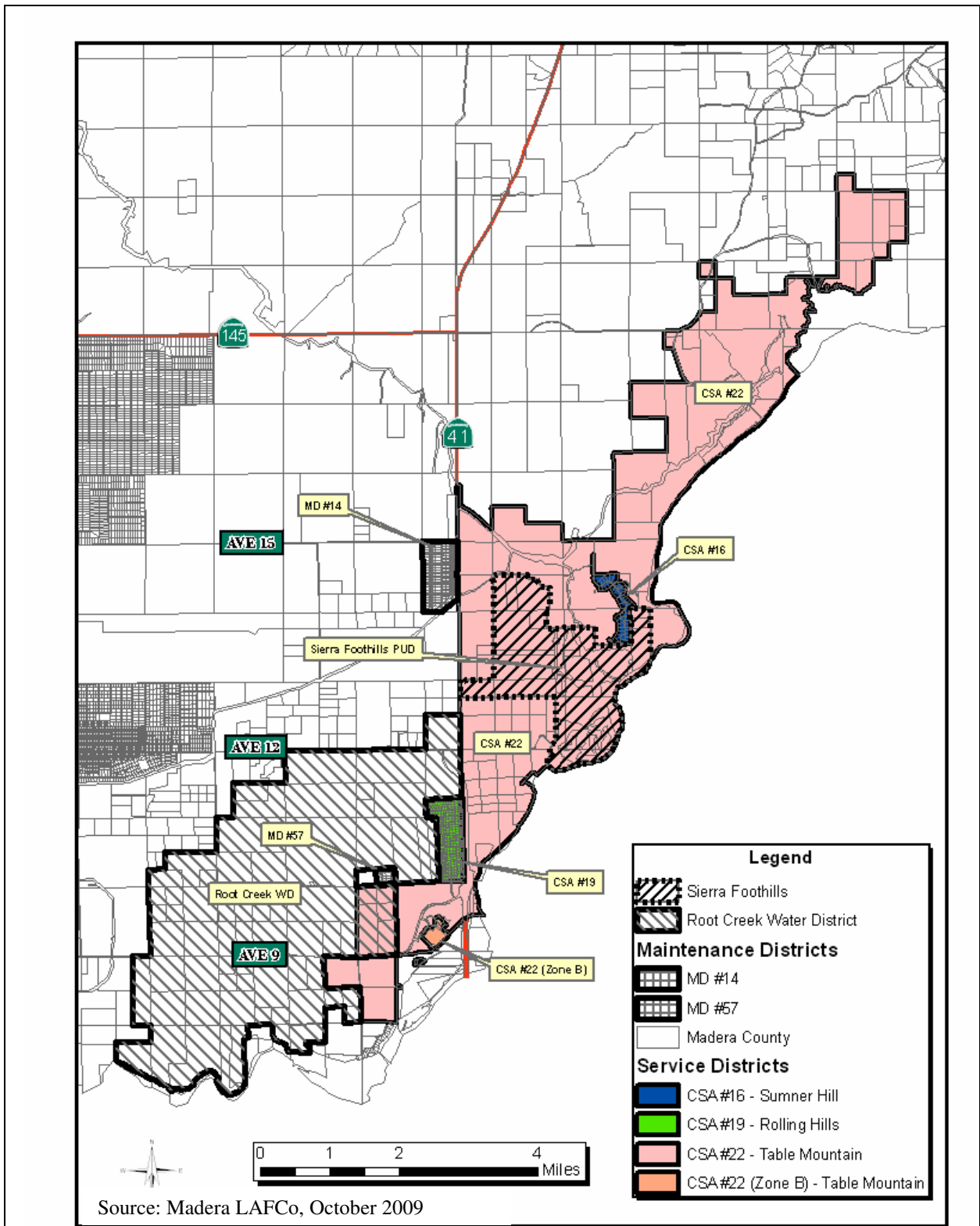
This MSR is intended to cover five special districts and two maintenance districts that provide some level of urban services in what is known as the greater Rio Mesa area of Madera County. These seven districts are:

- County Service Area 16 (CSA 16)
- County Service Area 19 (CSA 19)
- County Service Area 22 (CSA 22)
- Sierra Foothills Public Utility District (SFPUD)
- Root Creek Water District (RCWD)
- Maintenance District 14 (MD 14)
- Maintenance District 57 (MD 57)

All of these districts are adjacent to, fully, or partially, within the boundaries of the Rio Mesa Area Plan adopted by Madera County. Their locations are illustrated in Figure 1-2.



 <p>Quad Knopf</p>	<p>AREA LOCATION</p>	<p>Figure 1-1</p>
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**GREATER RIO MESA AREA
SPECIAL DISTRICTS MAP**

**Figure
1-2**

MSRs are intended to provide LAFCo with a comprehensive analysis of service provision by each of the special districts and other service providers within the legislative authority of the LAFCo. The MSR focuses on service providers within the greater Rio Mesa area and will make determinations in each area of evaluation, providing the basis for Madera LAFCo to review possible amendments to Spheres of Influence or possible reorganization, consolidation or annexations of districts.

1.2 Adoption Process

The process of developing the MSR began with a survey delivered to each service provider, seeking information, planning and budgetary documents, and records related to the provision of municipal services. Two preliminary documents were then presented to LAFCo, the first focusing on government structure, and the second focusing on the district's finances.

Two public workshops were held on August 25, 2009, and October 27, 2009. Public notices were mailed to property owners within the area of the study to inform them of both meetings. The first preliminary document was presented and discussed at the August 25 meeting; the second preliminary document was presented and discussed at the October 27 meeting.

The Draft MSR was released for review by the service providers and the general public for a minimum period of 21 days. Following public review, the MSR was presented to the Madera LAFCo for initial consideration at a public hearing on January 26, 2010. After discussion by the public and the Commission, the hearing was continued to March 23, 2010. The Commission discussed the MSR again in March, and then continued discussion to May 25, 2010.

1.3 Required Topic Areas of Analysis

The MSR will contain analysis and conclusions, referred to in this document as determinations, regarding five topic areas set forth in the CKH Act. These areas of analysis contain the essential operational and management aspects of each service provider, and together constitute a complete review of the ability of the providers to meet the service demands of the residents and businesses within the Rio Mesa area. The five topic areas used for analysis in this MSR are as follows:

1. Growth and Population Projections
2. Present and Planned Capacity of Public Facilities and Adequacy of Public Services, Including Infrastructure Needs or Deficiencies
3. Financial Ability to Provide Services
4. Status of, and Opportunities for, Shared Facilities
5. Accountability for Community Service Needs, Including Governmental Structure and Operational Efficiencies.

An explanation of the specific operational and management aspects considered in each of these topic areas is provided below.

1. Growth and Population Projections

Service efficiency is linked to a service provider's ability to plan for future need while meeting existing service demands. A service provider must meet current customer needs, and also be able to determine where future demand may occur. This section reviews demand projections and service needs based upon existing and anticipated growth patterns and population projections.

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

Infrastructure can be evaluated in terms of condition, capacity, availability, quality and relationship to operational, capital improvement and finance planning. This section assesses the adequacy and quality of the service providers' physical infrastructure, and analyzes whether or not sufficient infrastructure and capital are in place (or planned for) to accommodate planned future growth and expansions.

3. Financial Ability to Provide Services

This section analyzes the financial structure and health of the district with respect to the provision of services. Included in this analysis is the consideration of rates, service operations, and the like, as well as other factors affecting the district's financial health and stability, including factors affecting the financing of needed infrastructure improvements and services. Compliance with existing State requirements relative to financial reporting and management is also discussed.

4. Status of, and Opportunities for, Shared Facilities

Practices and opportunities that may help to reduce or eliminate unnecessary costs are examined in this section. Occurrences of facilities sharing are listed and assessed for efficiency, and potential sharing opportunities, so as to better deliver services, are discussed.

5. Accountability for Community Service Needs, Including Governmental Structure and Operational Efficiencies.

This chapter addresses the adequacy and appropriateness of the district's existing boundaries and spheres of influence, and evaluates the ability of the district to meet their service demands under their existing government structure. Also included in this section is an evaluation of compliance by the district with public meeting and records laws.

1.4 Issues Analyzed

The Rio Mesa area has some scattered development, but the majority of planned growth has yet to occur. It is generally envisioned that before all of the planned development occurs, the area could be ready to evolve to the status of a community services district or to incorporate as a city.

Until the time that one of these events occurs, existing urban service providers will play key roles in accomplishing orderly growth and development as the Rio Mesa area grows.

The preamble of the CKH Act contains a number of legislative findings and declarations that serve as a general guide for LAFCo's and their purpose for being. The first and main declaration is that:

It is the policy of the state to encourage orderly growth and development, which are essential to the social and economic well-being of the state.

The legislature goes on to make further declarations in CKH Section 56001 about how the determination of orderly local government boundaries is important to orderly growth and development. The legislature also makes the following declarations in Section 56001, which are an appropriate place to begin the discussion of service provision in the Rio Mesa area:

The Legislature finds and declares that a single multipurpose governmental agency is accountable for community service needs and financial resources and, therefore, may be the best mechanism for establishing community service priorities especially in urban areas.

Nonetheless, the Legislature recognizes the critical role of many limited purpose agencies, especially in rural communities.

The legislature also finds that, whether governmental services are proposed to be provided by a single-purpose agency, several agencies, or a multipurpose agency, responsibility should be given to the agency or agencies that can best provide government services.

The main issue to be addressed in this MSR process is to determine what local government structures and service providers can best encourage the orderly growth and development and can best provide urban services prior to any future incorporation. Once that is determined by LAFCo, then questions of SOI and boundary change recommendations can be answered.

1.5 LAFCo Powers

LAFCo has the power to determine the SOI for each of the five special districts. A SOI is a plan for the probable physical boundaries and service area of a local agency. It is represented by a boundary line on a map. The boundary line shows the territory that will eventually be within the district's boundary, as determined by LAFCo. It is by this method that LAFCo makes policy statements about its intent for the future probable boundaries of a district. If LAFCo chooses to not adopt an SOI for a district, meaning that it chooses to adopt a "zero" sphere, then it is making the policy statement that its plan is for that district to eventually be consolidated into another district. The preparation of an MSR is required prior an amendment to a district's SOI.

The results of the MSR could determine that several of the five special districts should be combined. There are two methods that can be used to combine special districts. Districts can be

combined by "consolidation", or by "dissolution and annexation." Madera LAFCo does have the power, in accordance with CKH Section 56375, to initiate proposals for special district consolidation or dissolution. They do not have the power to initiate annexation on their own.

A consolidation is defined in CKH Section 56030 as the uniting or joining of two or more special districts into a single, new successor district. If a consolidation occurs, all the powers, rights, duties, obligations, functions, and properties of the predecessor districts that have been joined shall transfer to the new consolidated district. In a consolidation, a brand new district takes over all duties and responsibilities, and the two former districts no longer exist. LAFCo does have the power to initiate a consolidation of districts, if the initiation is consistent with the determinations of an approved MSR.

District territory can also be combined via a reorganization that includes dissolution of one district, and then annexation of the dissolved district's territory to another district. The assets of the dissolved district can be distributed to the successor district that is annexing the dissolved district's territory. In reorganization involving dissolution and annexation, one district no longer exists and the other district is expanded. LAFCo must find that the reorganization is consistent with determinations of an approved MSR before approval.

To approve either a consolidation or a reorganization consisting of annexation and dissolution, LAFCo must find that public service costs will be less than or substantially similar to the costs of alternative means of providing service, and that the proposal promotes public access and accountability for community service needs and financial resources.

1.6 Governance Options and Features

Key considerations regarding long-term Rio Mesa governance options include the preference of LAFCo, the County and constituents in the area. For example, with LAFCo consent, many California counties have long sought to direct future municipal growth into existing incorporated cities or into areas that would ultimately become incorporated cities. Whereas, in other instances, counties embrace urban development in unincorporated areas and desire to provide municipal services to such communities. Ultimately, with LAFCo approved terms and conditions, municipal incorporation questions must be put to a vote of the qualified electorate.

Over time and given the potential regional nature of services provided, the need may arise to involve other entities in governance decisions. This involvement could be accomplished through the creation of a joint powers authority or other inter-governmental agreements between the County and other local government entities.

Another consideration regarding governance options is the timing of land use entitlements, urban development and ultimate municipal service delivery. As discussed in greater detail below, various forms of governance options afford more or less control to the jurisdiction that has ultimate land use authority. Finally, conflicts can arise in situations when there are too many jurisdictions with control over various facets of service provision for new urban development. Consideration of the preferred governance structure must consider the following goals:

- 1. Efficient provision of municipal services.** The ultimate goal of the preferred governance structure should be an efficient operating structure and stable fiscal basis required to provide municipal services to the Rio Mesa area.
- 2. Enhanced municipal services.** Future residents, employees, and visitors of the Rio Mesa area will expect municipal services to be provided at levels comparable with other urban areas in California's central valley.
- 3. Adequate revenue sources.** The ability to provide municipal services at adequate levels hinges upon stable revenue streams linked to the services for which the revenues are being collected.
- 4. Proactive approach to governance structure.** Government agency reorganization proposals (e.g., municipal incorporations, major annexations, etc.) are necessarily complex procedures requiring substantial effort on the part of proponents, LAFCo and the affected agencies. These reorganizations are often more complex when contemplated on a reactive basis rather than a proactive basis. As an area develops, political pressures and incumbent interests can become entrenched which can limit the universe of solutions to fiscal, political and economic challenges.
- 5. Avoidance of intergovernmental conflicts, competition, or issues.** Conflicts between local jurisdictions over control and other impacts across jurisdictions and competition for resources (e.g., fiscal revenue generators) often consume resources and weaken incentives to cooperate on important regional agendas (e.g., transit, water quantity and quality, habitat conservation, etc.).
- 6. Alignment of land use control with local representation.** Control of land use decisions becomes increasingly important as communities develop and mature. Land use decisions by elected officials that do not represent the local community can often be perceived to inadequately express the aspirations of local residents.

Orderly, accountable and efficient municipal service delivery in the greater Rio Mesa area may be accommodated through one, or a combination of, the following options:

1. Continuance of status quo
2. Consolidation of special districts
3. Creation of a Community Services District
4. Municipal incorporation

While each of these municipal governance options is described separately, they are not necessarily mutually exclusive. Each section below includes a brief discussion of the governance option, followed by a comparison of the advantages and disadvantages of each approach for the Rio Mesa area.

CONTINUANCE OF STATUS QUO

The Rio Mesa area is presently served by a combination of dependent and independent special districts. These districts have been established at various points in time in response to needs for specific municipal service delivery (e.g., water, sewer, storm drainage, etc.). As shown in the “Current, Authorized and Latent Powers Matrix,” (Table 1-1) many of the special districts are authorized for and provide water and wastewater services to their respective areas. While some special districts like County Service Area 22 and Root Creek Water District have authorized powers, they may or may not be completely exercising those powers at the present time.

Advantages

Each of the existing special districts was created with a specific purpose in mind at the time of formation. Below are advantages of the existing Rio Mesa governance structure.

1. Each district is performing the service for which it was created.
2. Specific areas within Rio Mesa may have had, or continue to have, unique municipal service delivery needs that the existing districts were formed to address.
3. County-maintained control of service delivery through County Service Areas.
4. Local control of service delivery through Sierra Foothills PUD and Root Creek Water District.

Disadvantages

Maintenance of the existing governance structure has the following disadvantages:

1. Multiple districts providing, or authorized to provide, the same services.
2. Independent physical infrastructure systems that are not interconnected.
3. Potential for lack of coordination for future infrastructure master planning for the Rio Mesa area.
4. Independent fee and cost structures for services provided.
5. Confusion over governance (who's in charge), especially when population levels reach into the thousands.

These disadvantages could lead to issues of lack of coordination between special districts, competition for physical, personnel, and financial resources, and duplication of operations and management costs. Presently, because each of these districts is relatively small, there are few opportunities to take advantage of economies of scale for operations and management costs.

CONSOLIDATION OF SPECIAL DISTRICTS

Consolidation of all or a portion of the existing special districts would involve detailed examination of each special district that was considered for consolidation. When considering merging the services of two districts, consolidation may be favored over dissolution and annexation given the way in which dedicated property tax allocations would be handled in a consolidation versus other options.

Advantages

1. For special districts that have a dedicated share of property tax, the successor district would retain those portions of property tax originally received by the preceding agency or agencies.
2. One district could be responsible for municipal service provision that is presently under the control of two or more districts.
3. A successor special district could be authorized to provide a full range of municipal services rather than the limited set of authorized services for existing special districts.

Disadvantages

1. Perceived/Actual lack of local control.
2. Potential inability for one district to provide the full range of municipal services depending upon what district is the successor district.

CREATION OF A COMMUNITY SERVICES DISTRICT

Authorized by California law, Community Services Districts (CSDs) have broad authority for municipal service provision. CSDs are independent special districts, which have their own management structure and independent board of directors. If there are less than 100 registered voters within a CSD at formation, the initial CSD board may be the County Board of Supervisors. Should the County Board of Supervisors initially be in charge, it could remain so during the development process. At any time, the Board of Supervisors has the option of putting a question to the registered voters to move to an independently elected board. The Board of Supervisors is required to put the question to the voters of moving to an independently elected board if any of the following occur:

- The number of registered voters in the CSD has reached or exceeded 500;
- The number of registered voters in the CSD has reached or exceeded a number specified by LAFCo as a term and condition of approving the formation of the district;
- Ten years after the effective date of the district's formation;
- LAFCo has required, as a term and condition of approving the formation of the district, placing the question of having an elected board of directors on the ballot in less than 10 years after the effective date of the district's formation;

- More than five years have past since district formation and a petition is received from 10% of the registered voters requesting that the question to move to an independent board be put on the ballot.

Formation of a CSD could be initiated by a Resolution of the Board of Supervisors or a petition of the landowners to LAFCo. Should the landowner petition contain fewer than 80 percent of registered voters' signatures, formation would also require an election (and 50 percent favorable votes) of registered voters in the proposed CSD territory.

A CSD would operate independently of the County, although the CSD may choose to contract with the County for certain services. The CSD would be operated by board-designated staff via direct hire or contract service provision. Staff may also contract with private entities, the County, or other public agencies to provide authorized services.

Advantages

1. A CSD may be authorized to provide the full range of municipal services for the Rio Mesa area.
2. Aside from municipal incorporation, a CSD provides the greatest ability for local control over municipal service provision.
3. If the ultimate goal were incorporation, a CSD can provide a solid foundation upon which a municipal incorporation could occur.

Disadvantages

1. A CSD does not control land use decisions.
2. A CSD creates another layer of governance structure that, if not replacing existing special districts, could be considered additive.
3. As enumerated in State law, the threshold of 500 persons for the creation of a CSD is too low, based upon demographic and service issues in the greater Rio Mesa area.

MUNICIPAL INCORPORATION

If it is the will of future residents in the Rio Mesa area, the area may choose to pursue municipal incorporation through LAFCo at some time in the future. If desired, the present governance structure in the Rio Mesa area could be reorganized with the intent that some day the area may wish to incorporate. If so, service provision organization and financing sources could be designed for transfer to a subsequent City. A more consolidated governance structure could help to minimize negotiations and conflicts over financial resources that often occur with such reorganizations.

Once an area has experienced urban development and arrangements have been made for the funding and provision of municipal services, it often becomes difficult to effect further changes,

even if beneficial to all involved. To avoid such potential problems, the Rio Mesa governance structure could be established today to include provisions that provide an incentive for the unincorporated areas to participate in reorganization. For example, improved service standards, a reduction or elimination of certain taxes (e.g., the administrative cost component of a special tax or assessment or reduction in homeowner's association fees) could be offered to gain support for reorganization.

Advantages

1. An incorporated City may be authorized to provide the full range of municipal services for the Rio Mesa area.
2. A locally-elected city council would represent local accountability for municipal service provision and local land use authority.
3. Cities have access to certain revenue streams that are not available to special districts or to the same extent in unincorporated areas within counties.

Disadvantages

1. New laws governing the creation of incorporated cities make achieving fiscal viability challenging.

1.7 Services Comparison

The services that state law allows each special district to provide vary by district type. Some districts are only allowed to provide a very narrow range of services, while others can provide a wide range of services. Table 1-1 illustrates the services that each special district in the Rio Mesa area can provide. The matrix also includes the services that can be provided by a CSD for information and comparison purposes.

The matrix specifies whether the services that can be provided are being provided now, are authorized but not being provided, or are latent.

Provides - means that the district is authorized by LAFCo and state law to provide the service and that the service is currently being provided. These services may continue to be provided by the district at their discretion.

Authorized - means that the district is authorized by LAFCo and state law to provide the service, but this service is not currently being provided by the district. The district has the authorization it needs from the state and LAFCo to begin providing these services at their discretion.

Latent - means that the district is authorized by state law to provide the service, but is required to gain LAFCo approval before it may begin providing the service. If the district desires to provide this service, it must first gain approval from LAFCo. The process to gain LAFCo approval is described in CKH Section

56824.10 et seq. It is similar to an annexation process, requiring an initiating resolution from the district and LAFCo approval after a public hearing.

If the box in the matrix is blank, it means that state law does not allow that district to provide that service. These services, if needed, would have to be provided by the County or by another overlapping district that is authorized to provide the service.

The matrix illustrates that County Service Areas (CSAs) are authorized by state law to provide the full range of services. Public Utility Districts (such as Sierra Foothills PUD) can provide most of the essential urban services, but their state authorization is not as comprehensive as CSAs. Water Districts (such as Root Creek WD) can only provide water, sewer, and storm drainage services. Maintenance Districts can provide services for street maintenance, and the Board of Supervisors can authorize some limited additional services like sewer and water service.

1.8 General Determinations

Determination 1.1 - LAFCo has the power to determine the Sphere of Influence for each of the five special districts in this MSR. The two maintenance districts are not special districts and do not have Spheres of Influence; however it is essential that these services and facilities be coordinated and/or consolidated with the surrounding area's services and facilities.

Determination 1.2 - A single multipurpose governmental agency would be accountable for community service needs and financial resources and, therefore, may be the best mechanism for establishing community service priorities especially in urban areas. Governmental services should be given to the agency or agencies that can best provide government services.

Determination 1.3 - The greater Rio Mesa area is presently served by a combination of dependent and independent special districts. These districts have been established at various points in time in response to needs for specific municipal service delivery.

Determination 1.4 - A single incorporated city is the ultimate long range plan for the greater Rio Mesa area. Until the time that incorporation occurs, any Sphere of Influence or boundary changes to the seven districts should promote, and be consistent with, this long term plan.

**Table 1-1
Current, Authorized and Latent Powers Matrix**

SERVICE	CSA 16	CSA19	CSA 22	SFPUD	RCWD	MD 14	MD 57	CSD
Water supply	Provides	Provides	<i>Authorized</i>	Latent ²	<i>Authorized</i>	Available	Available	Available
Water distribution	Provides	Provides	<i>Authorized</i>	Latent ²	Latent ²	Available	Available	Available
Sewer collection & disposal	Provides	Latent	<i>Authorized</i>	Latent ²	Latent ²	Available	Available	Available
Storm drainage	Latent	Latent	<i>Authorized</i>	Latent ²	Latent ²			Available
Flood control	Latent	Latent	<i>Authorized</i>	Latent				Available
Street construction	Latent	Latent	<i>Authorized</i>	Latent ²				Available
Street maintenance	Latent	Provides	Provides¹	Latent		Provides	Provides	Available
Street lighting	Latent	Latent	Provides¹	Latent ²				Available
Street sweeping	Latent	Latent	<i>Authorized</i>	Latent				Available
Street landscaping	Latent	Latent	<i>Authorized</i>					Available
Solid waste collection, transfer, & disposal	Latent	Latent	<i>Authorized</i>	Latent ²				Available
Fire protection	Latent	Latent	Provides¹	Latent ^{2, 3}				Available
Police protection	Latent	Latent	<i>Authorized</i>					Available
Ambulance service	Latent	Latent	<i>Authorized</i>					Available
Emergency medical service	Latent	Latent	<i>Authorized</i>					Available
Heat and power	Latent	Latent	<i>Authorized</i>	Latent ²				Available
Undergrounding of overhead electrical & communication facilities	Latent	Latent	<i>Authorized</i>					Available
Parks / recreation	Latent	Latent	<i>Authorized</i>	Provides				Available
Community facilities	Latent	Latent	<i>Authorized</i>	Latent				Available
TV translator stations	Latent	Latent	<i>Authorized</i>	Latent ²				Available
Vector & pest control	Latent	Latent	<i>Authorized</i>					Available
Funding for land use planning	Latent	Latent	<i>Authorized</i>					Available
Funding for a municipal advisory council	Latent	Latent	<i>Authorized</i>					Available
Graffiti abatement	Latent	Latent	<i>Authorized</i>					Available
Weed & rubbish abatement	Latent	Latent	<i>Authorized</i>					Available
Soil conservation	Latent	Latent	<i>Authorized</i>					Available
Animal control	Latent	Latent	<i>Authorized</i>					Available
Transportation	Latent	Latent	<i>Authorized</i>	Latent				Available
Cemeteries	Latent	Latent	<i>Authorized</i>					Available
Airports	Latent	Latent	<i>Authorized</i>					Available
Open space habitat conservation	Latent	Latent	<i>Authorized</i>					Available

¹ - CSA 22 currently provides these services only within Zone of Benefit B.

² - Originally authorized but has become latent due to inactivity.

³ - SFPUD is required to contract with Madera County for fire protection if/when it is provided by the District.

SECTION 2.0 GROWTH AND POPULATION PROJECTIONS

2.1 Introduction

The purpose of this section is to evaluate service needs based on existing and anticipated growth patterns and population projections. The MSR Guidelines call for LAFCo to determine historic and projected growth and absorption patterns in relationship to a service provider's boundaries and SOI. In addition, LAFCo is tasked with evaluating the impact and compatibility of such growth on and with land use plans, services, local government structures and growth patterns.

2.2 Historic Growth and Growth Projections

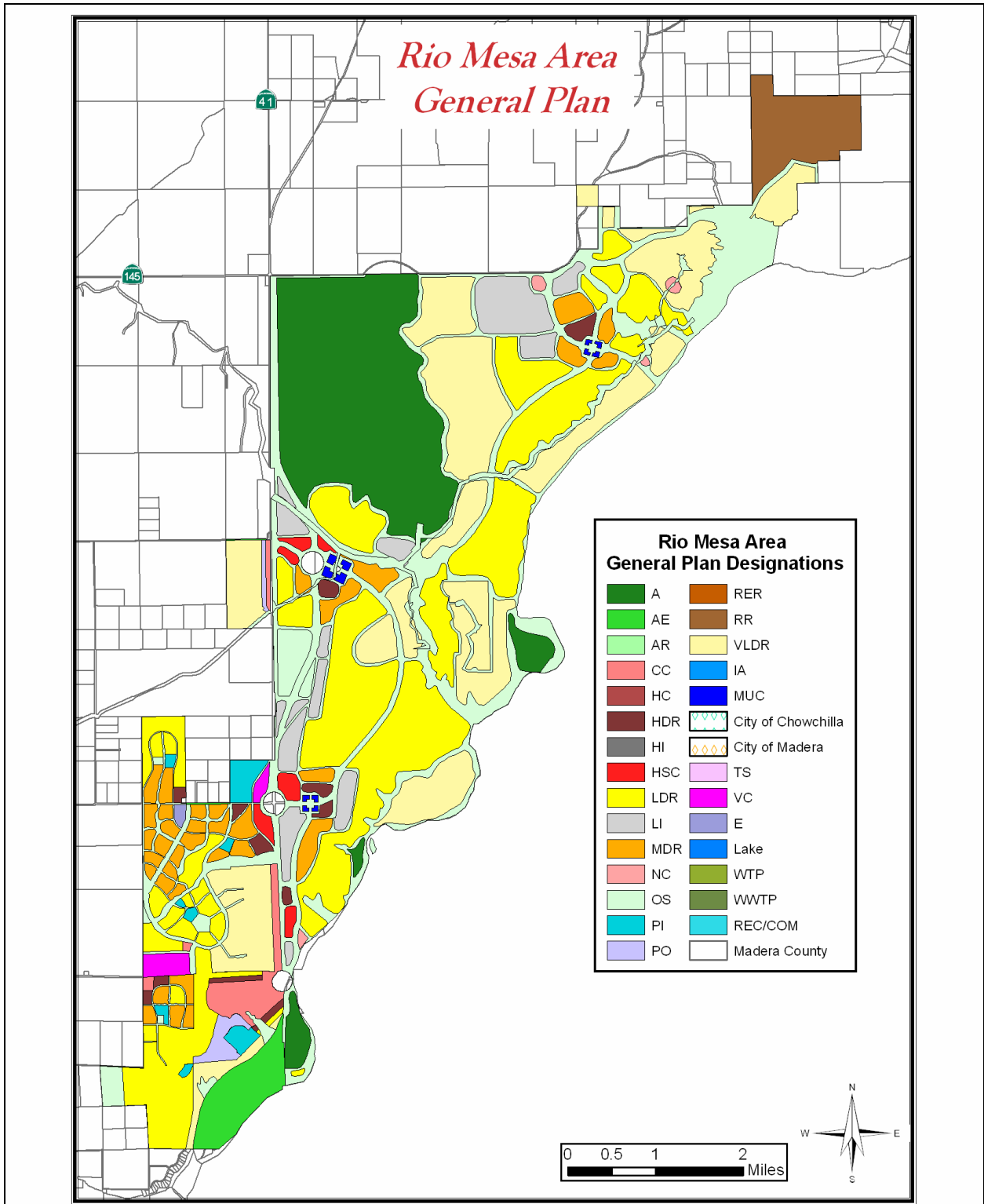
There are six existing developments in the greater Rio Mesa area. As shown in Table 2-1, each one is within a different special district.

**Table 2-1
Existing Developments in Rio Mesa Area**

<u>Existing Development</u>	<u>Dwelling Units</u>	<u>Estimated Population</u>	<u>District</u>
Bonadelle Ranchos #9	115	368	MD 14
Sumner Hill neighborhood	34	109	CSA 16
Rolling Hills neighborhood	345	1,104	CSA 19
Children's Hospital of Central CA	N/A	N/A	CSA 22
Riverbend Golf Course	N/A	N/A	SFPUD
Industrial Neighborhood	N/A	N/A	MD 57
TOTALS	494 units	1,581 persons	

MD 14, MD 57, CSA 19, and CSA 16 serve their respective neighborhoods exclusively. The Children's Hospital of Central California and the Riverbend Golf Course are within districts that also include much undeveloped territory. Since there has been no consistent pattern of growth in the past, it is not possible to use historic growth to estimate future growth. Therefore, growth projections are based upon adopted Area Plans and development approvals and proposals.

In 1995 the Rio Mesa Area Plan was adopted to provide Madera County with land use development decision-making guidance, and to provide a planning framework for the development of more detailed implementation plans and measures. At the time, the Rio Mesa area was a finalist for a new University of California campus, which eventually was constructed in Merced. The Rio Mesa Area Plan provides general land uses and densities to determine the amount of growth that will occur. The land use plan is shown in Figure 2-1. The data in Table 2-2 is taken from the County's Rio Mesa Area Plan.



Source: Madera LAFCo, February 2010



GREATER RIO MESA AREA GENERAL PLAN LAND USE MAP

Figure
2-1

Table 2-2
Rio Mesa Area Plan Growth Projections

Potential number of dwelling units: 29,537±

Potential acreage available for commercial use: 1,293 acres (including mixed use areas)

Potential open space acreage: 731 acres

In addition, the Gateway Village project and the Gunner Ranch project are outside of the Rio Mesa Area Plan, but are included in the greater Rio Mesa area. Gateway Village was approved for 5,836 dwelling units and 186 acres of commercial land. The Gunner Ranch West project is proposed to have 3,114 dwelling units and 209 acres of commercial land. Figure 2-2 illustrates the location of these developments, as well as the other developments constructed, approved, and proposed in the Rio Mesa area.

The Sumner Hill neighborhood and the Riverbend Golf Course are within the Rio Mesa Plan Area. The Rio Mesa Area Plan does not include the existing neighborhoods of Bonadelle Ranchos #9 or Rolling Hills. However, as development occurs around them, they will likely be considered a part of the greater Rio Mesa area and begin to demand similar urban services.

In all, the number of projected number of dwelling units will total over 33,000 units. This translates to an estimated population in the range of 90,000 to 100,000 persons. There is also a total of over 1,000 acres of land designated for commercial use. By subtracting 20% of the commercial land area for road right of way and then using a 25% floor area ratio (FAR) of building space per land area, it can be estimated that there is a potential for 10.5 to 11 million square feet of commercial space. These estimates are summarized in Table 2-3.

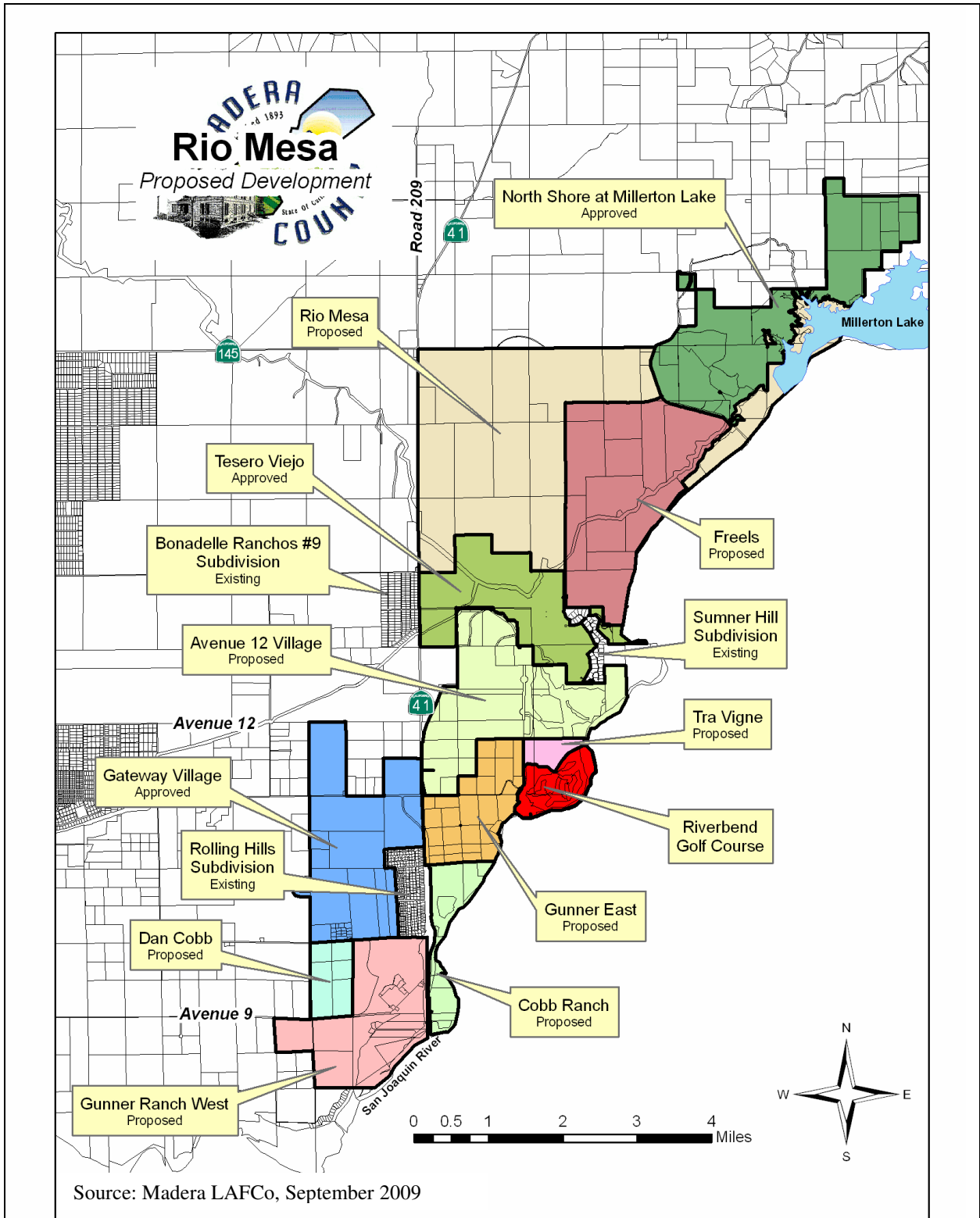
Table 2-3
Total Greater Rio Mesa Growth Projections
(including Gateway Village and Gunner Ranch West)

Potential number of dwelling units: Over 33,000 units

Potential population: 90,000 to 100,000 persons

Potential acreage available for commercial use: Over 1,000 acres

Potential commercial building square footage: 10.5 to 11 million



GREATER RIO MESA DEVELOPMENT PROJECTS

Figure 2-2

2.3 Anticipated Service Needs

The future Rio Mesa Area will require all typical local urban services, such as water, sewer service, police and fire protection, parks and recreation services, street maintenance, solid waste collection and others. Given the anticipated number of future residents, and the amount of land dedicated to commercial use, it is likely that at some point the area will be financially able to incorporate as a city. However, the quality of infrastructure and the public services that this potential new city will someday inherit will be determined by the actions taken and decisions made from this point forward. A new city cannot legally be formed until there are at least 500 registered voters residing in the territory. A new city must also have the ability to support itself financially, which requires local businesses that provide sales tax revenues. This means future incorporation will likely not occur until there are at least 10,000 to 15,000 residents that can support local businesses. Because the full range of urban services will be demanded by the residents of Rio Mesa before the area is ready to incorporate, the responsibility of providing these services, in the interim, will fall on the special district or districts providing service to the area.

Prior to becoming a city, services will be provided by special districts. Dependent special districts (those governed by the County Board of Supervisors) are currently best equipped to meet the current challenges of implementing master plans, designing infrastructure, and initiating overall government structure. Over time the emphasis will change from building infrastructure and initiating service systems to maintaining infrastructure and programs. Also, the population will increase to the point that the amount of new growth will equal, and then surpass, the existing development. At some point it will be appropriate for the dependent special district(s) to all become an independent special district that is governed by the residents of the Rio Mesa area.

Because there are a number of proposed development projects in the Area, growth will at first be scattered and unconnected geographically. This is a unique situation; most communities grow outward from an initial core area. The Rio Mesa Area will likely grow in a number of scattered places at the same time, and slowly connect itself to each other. It will likely require a population larger than is typically expected before the necessary synergy is achieved that will turn the individual development projects into a single community. Therefore, the future motivations for transition from dependent to independent special district should be carefully analyzed, and the main purpose for the transition should be to implement LAFCo's legislative mandate to encourage orderly growth and development. It is not the purpose here to pinpoint the time for transition specifically, but instead to provide guidance that it is likely not going to be feasible to convert to an independent special district without at least a population of 10,000 persons in the Area.

Planning efforts by Madera LAFCo and Madera County should encourage and require planning for the full range of urban services. With regard to urban services, the Rio Mesa Area should be viewed as a future city, not as a rural county development.

2.4 Population and Growth Determinations

Determination 2.1 - Based upon the existing Madera County General Plan, the Rio Mesa Area Plan, and existing and proposed development projects, the greater Rio Mesa area is projected to have a population of 90,000 to 100,000 persons, approximately 33,000 residential units, and 10.5 to 11 million square feet of commercial space.

Determination 2.2 - The future Rio Mesa Area will require all the typical local urban services, including, but not limited to, water, sewer service, police and fire protection, parks and recreation services, street maintenance, solid waste collection, and others.

Determination 2.3 - Given the anticipated number of future residents, and the amount of land dedicated to commercial use, it is likely that at some point the area will be financially able to incorporate as a city.

Determination 2.4 - Prior to incorporation as a city, the most efficient government structure to effectively provide local urban services is a single, independent, multipurpose special district, such as a community service district.

Determination 2.5 - Local voters should be given the opportunity to establish an independent special district. Future consideration of an independent district in the Greater Rio Mesa Area, such as a Community Services District, should require the following:

1. A minimum total population of 10,000 in the Greater Rio Mesa Area, located in several of the existing neighborhoods and proposed subareas of the planning area.
2. A detailed plan of services and the cost of desired infrastructure for the entire district and any zones of benefit.
3. An analysis of the financial viability of the proposed independent district and its services plan.

The above requirements shall be in addition to the requirements of the Cortese Knox Hertzburg Act and other applicable State law. Prior to service by an independent special district, a dependent special district governed by the County Board of Supervisors is the most appropriate form of local government for the area.

Determination 2.6 - Madera LAFCo's long term strategy for the government structure of the greater Rio Mesa Area is to encourage transitions from the current multiple districts, to a single special district, and finally to an incorporated city.

SECTION 3.0 COUNTY SERVICE AREA 16

3.1 Introduction

County Service Area 16 (CSA 16) covers the existing residential neighborhood known as Sumner Hill. The District was founded on January 10, 1984. The neighborhood currently contains 34 dwelling units, and has 15 undeveloped lots, for an ultimate total of 49 dwelling units in the neighborhood. CSA 16 provides domestic water supply/distribution and sanitary sewer collection services to the residential units within the Sumner Hill neighborhood. In 2008 there were 69 registered voters in the District. CSA 16's SOI is coterminous with its existing boundary. CSA 16 is governed by the Madera County Board of Supervisors. Staff from Madera County Resource Management Agency operates and maintains the District's facilities. Figure 3-1 shows the District's territory and SOI.

3.2 Existing Facilities and Assets

The domestic water system consists of two submersible pumps in the San Joaquin River. The source of this water is snow melt and stream runoff. These pumps supply two parallel surface water treatment plants that provide 180 gallons of water per minute. There are two storage tanks with combined capacity of 160,000 gallons, boost pumps which supply a pressurized plastic pipe distribution system, and generator backup to run boost pumps for the pressure system and the treatment plant. The water is chlorinated at the treatment plant. The residences have individual water meters.

The sewer collection system consists of collection lines that lead to a common leach field. Each home has a privately maintained septic tank which provides separation of solid and liquid waste. The liquid waste from each septic tank flows through a District-maintained collection system, which includes two pump stations, and leads to the District-maintained leach field.

Presently there is an unresolved issue with the regulatory authority of CSA 16 to pull any additional water from the San Joaquin River. Consequently, the District may have difficulty providing service to units beyond the initial 34 that are presently served. The two water treatment plants are 18 and 20 years old. The older plant has rust deterioration. A 2007 assessment prepared by Boyle Engineers recommended that the older plant be replaced.

3.3 Plans for Future Services

There are no plans to expand sewer and water services beyond provision of existing services to the undeveloped lots. There are no plans to provide additional types of services.

3.4 Financial Ability to Provide Services

CSA 16 does not receive a dedicated share of the one percent property tax allocation and relies upon both user fees and, in some years, other revenues (transfers in) to provide both water and sewer services to users in the Sumner Hill neighborhood. Table 3-1 shows a summary of the

CSA 16 budget for FY 2008/09. The financial accounting for the district, which is prepared by Madera County, appears to be compliant with applicable laws governing public agencies. For Fiscal year 2008/09, CSA 16 had anticipated transferring in approximately \$35,000 from the CSA 16 Accumulated Capital for Operations (ACO) fund. This fund was established to accumulate funds for future non-routine operating expenditures. Such expenditures might be emergencies or planned expenditures, but were not anticipated to be expenditures for major plant acquisition or other expansion improvements. As of the end of FY 2007/08, the CSA 16 ACO fund had approximately \$72,000 in cash balances. While the \$35,000 transfer was not necessary in FY 2008/09, a \$40,000 transfer has been budgeted for FY 2009/10.

**Table 3-1
County Service Area 16 Budget**

District Name:	County Service Area 16 (CSA 16)	
General Description:	Water and Sewer: Provides domestic water and sanitary sewer collection services for the Sumner Hill neighborhood	
Share of 1% Property Tax	<u>n/a</u>	
Budget Info:		
	<i>Total</i>	<i>Percent</i>
Revenues	<u><i>FY 2008/09</i></u>	<u><i>of Cost</i></u>
Property Taxes	\$0	0.0%
Assessments	\$0	0.0%
Special Taxes	\$0	0.0%
User Fees	\$95,237	93.4%
Transfers In	\$0	0.0%
Other revenues	\$6,766	6.6%
TOTAL	\$102,003	100.0%
	<i>Total</i>	<i>Percent</i>
Expenditures	<u><i>FY 2008/09</i></u>	<u><i>of Cost</i></u>
Management	\$8,078	10.3%
Service and Supplies	\$51,028	64.8%
Water Acquisition	\$0	0.0%
Utilities	\$19,662	25.0%
TOTAL	\$78,767	100.0%
Fund Balance [1]:	<u>\$5,552</u>	
Bonded Indebtedness:	<u>n/a</u>	

"csa16"

[1] Fund balance represents an accumulated fund balance that carries forward in each fiscal year and reflects any difference between revenues and expenditures in any given year. CSA 16 also has a fund that contains accumulated capital for operations (ACO).

Source: EPS, November 2009

3.5 Facilities and Opportunities for Shared Facilities

A February 2007 study, entitled “Surface Water Treatment Plant Feasibility Study for County of Madera Service Area 16 at Sumner Hill” examined new facility requirements for CSA 16. The study documented the aged condition of existing water infrastructure and identified a number of specific recommendations for the County Resource Management Agency. Among these recommendations was direction to begin discussions of options with homeowners, including adding additional treatment and storage capacity, obtaining an easement or portion of a lot for additional storage, conservation measures that could be implemented, and their interest in dual plumbed system for landscape irrigation with untreated river water. A report was prepared by the Madera County Engineering Department where costs were estimated for these improvements and the homeowners have declined to proceed with recommended expenditures.

Opportunities for shared facilities will be contingent upon whether surrounding residential and other development occurs. If and when such development occurs, Sumner Hill owners could consider opportunities to connect into a larger water and sewer infrastructure system installed to serve new development. While such connection would not come without cost, the cost would be proportional to the benefit received. In other words, existing Sumner Hill residents would not be subsidizing new development, nor would new development be paying 100 percent of the cost to connect Sumner Hill residents to a water and sewer infrastructure system that they constructed.

As the greater Rio Mesa area develops from a mostly rural to mostly urban area, the demand for municipal services will increase within CSA 16. There will eventually be need for improved police and fire protection, and the residents within CSA 16 will want to utilize the public facilities, such as parks.

3.6 Opportunities for Rate Restructuring

Table 3-2 shows the water and sewer rates for CSA 16 users as compared to the water and sewer rates for other service providers in the area. As shown in Table 3-2, CSA 16 rates are much higher than all other districts. The primary reason rates are so high is the age, condition, and operating cost of existing infrastructure that is needed to serve a very small area of development.

If future development in the Rio Mesa area comes to fruition, there may be opportunities for shared facilities and consequently opportunities for rate restructuring. Based on the fact that many other local water and sewer providers have lower rates, one could suppose that CSA 16 rate payers might benefit from lower rates if the opportunity for shared facilities is available in the future.

**Table 3-2
Comparison of Water and Wastewater User Rates [1]**

Service Provider	County		Water [1]	Wastewater	Billing Frequency
Madera County			<i>Service Rate per Month</i>		
CSA - 16	Madera	Flat Rate	\$100.83	\$100.83	Quarterly
CSA - 19	Madera	Flat Rate	\$40.89	n/a	Quarterly
Cities of:					
Chowchilla [2]	Madera	Flat Rate	\$21.26	\$27.36	Monthly
Madera	Madera	Flat Rate	\$17.40	\$19.88	Monthly
Fresno County					
Cities of:					
Fresno	Fresno	Flat Rate	\$22.87	\$24.98	Monthly
Clovis [3]	Fresno	Metered	\$9.75	\$29.36	Bi-Monthly
Fowler [4][5]	Fresno	Metered	\$16.24	\$23.28	Monthly
Huron [6]	Fresno	Metered	\$15.15	\$26.00	Monthly
Kerman	Fresno	Metered	\$24.55	\$23.50	Monthly
Kingsburg	Fresno	Flat Rate	\$26.25	\$23.28	Monthly
Selma [7]	Fresno	Flat Rate	\$34.01	\$23.28	Monthly

"Rates"

Source: Various jurisdictions.

- [1] Assumes single-family (with a 6,000 sq. ft. lot) monthly water usage of 6,000 gallons for domestic and irrigation uses (approx. 200 gallons per day).
- [2] Sewer fee includes a \$2.50 per month bond payment.
- [3] City of Clovis charges a base water fee of \$9.75 for the 1st 10,000 gallons and \$1.05 per 1,000 additional gallons (up to 35,000 gallons).
- [4] Wastewater service provided by the Selma Kingsburg Fowler County Sanitation District and charged annually on property tax bill.
- [5] City of Fowler charges a base water fee of \$16.24 for the 1st 10,000 gallons and \$1.62 per 1,000 additional gallons.
- [6] City of Huron charges a base water fee of \$15.15 for the 1st 8,000 gallons and \$3.20+ per 1,000 additional gallons.
- [7] Metered service is available as an alternate.

Source: EPS, November 2009

3.7 Governance

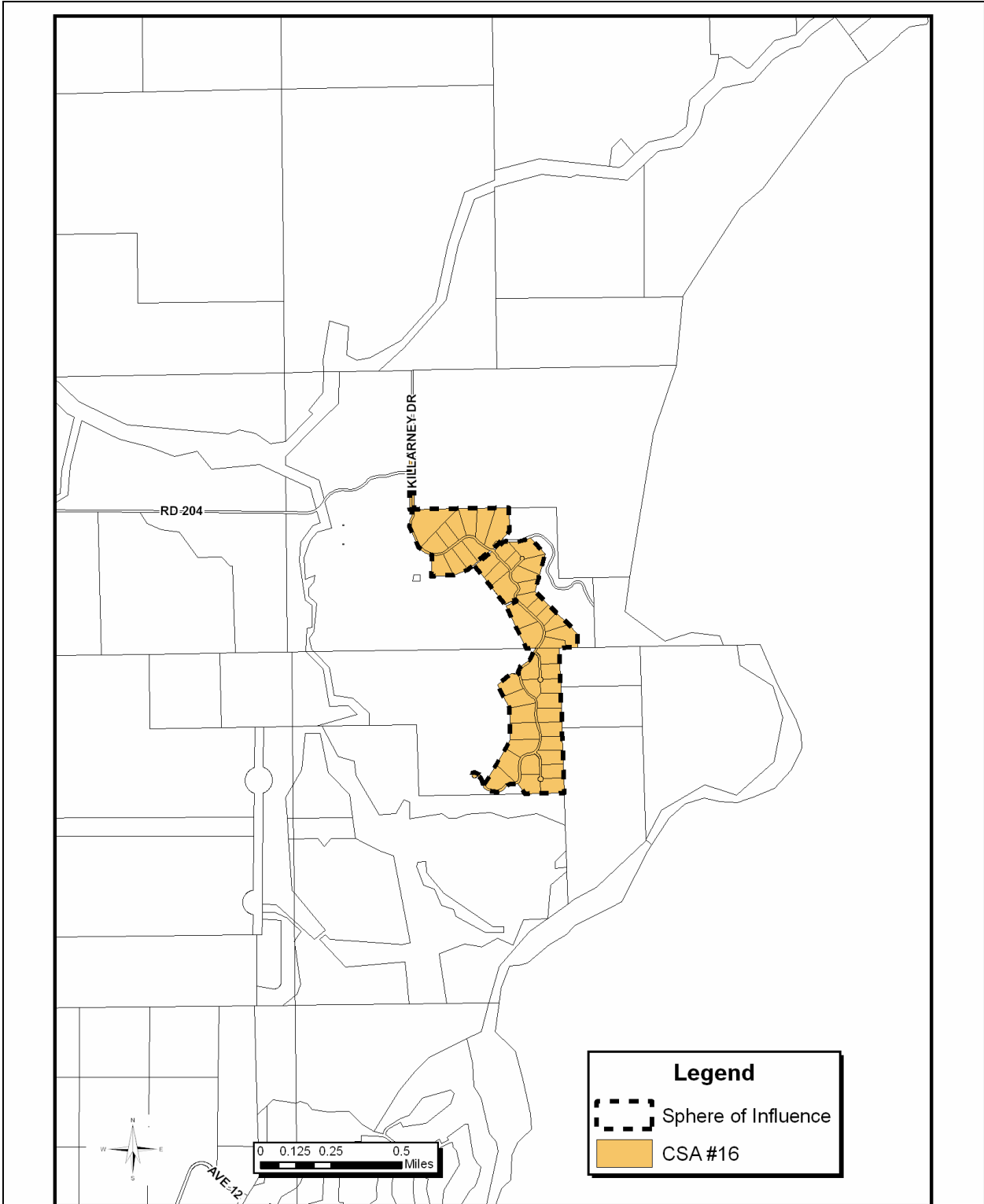
CSA 16 is governed by the Madera County Board of Supervisors as the CSA is dependent special district. Staff from Madera County Resources Management Agency operates and maintains the District's facilities. CSA 16 realizes operational efficiencies by utilizing County staff because the annual operating budget of the CSA is not adequate to justify hiring full time staff to operate the CSA. County Resources Management Agency staff spends only a portion of

their time in operating and maintaining CSA 16 in addition to their other job duties. Based on self-reported information, it appears that the District maintains its financial and other records and conducts its required meetings in compliance with applicable laws governing public agencies.

Recently, citizens within the Sumner Hills neighborhood have expressed a desire for increased local control through a locally elected board of directors. While the CSA structure does not permit that organization, other governance structures would permit that desire. It may be possible for the CSA to include a Local Advisory Board (Board) comprising local representatives. This Board could be endowed with management and contracting oversight and could make recommendations to the Board of Supervisors on policy and procedures. However, final decisions ultimately would still be at the discretion of the Board of Supervisors.

CSA 16 is surrounded by the larger CSA 22. The goals of sharing infrastructure with future nearby development and of having a single governmental structure would be aided by combining CSA 16 to CSA 22. The territory of CSA 16 could be established as a Zone of Benefit within CSA 22. This would combine the area into one government entity, but allow the Sumner Hills neighborhood to retain separate rate structures and levels of service.

LAFCo has the power to initiate the consolidation of the two districts. In addition, the Board of Supervisors, acting as the governing body of both Districts, can also initiate consolidation proceedings. The recommended process would be to first amend the SOI by adding the Sumner Hills neighborhood to the Sphere of CSA 22 and eliminating the Sphere of CSA 16. This would establish LAFCo's long term plan for the Districts. Figure 3-2 illustrates this recommended SOI change. Next, neighborhood meetings would be held to receive input from the residents about a proposed consolidation of districts. After hearing the results of the neighborhood meeting, both LAFCo and the Board of Supervisors could decide when, and if, either one wants to initiate proceedings to consolidate the two districts.

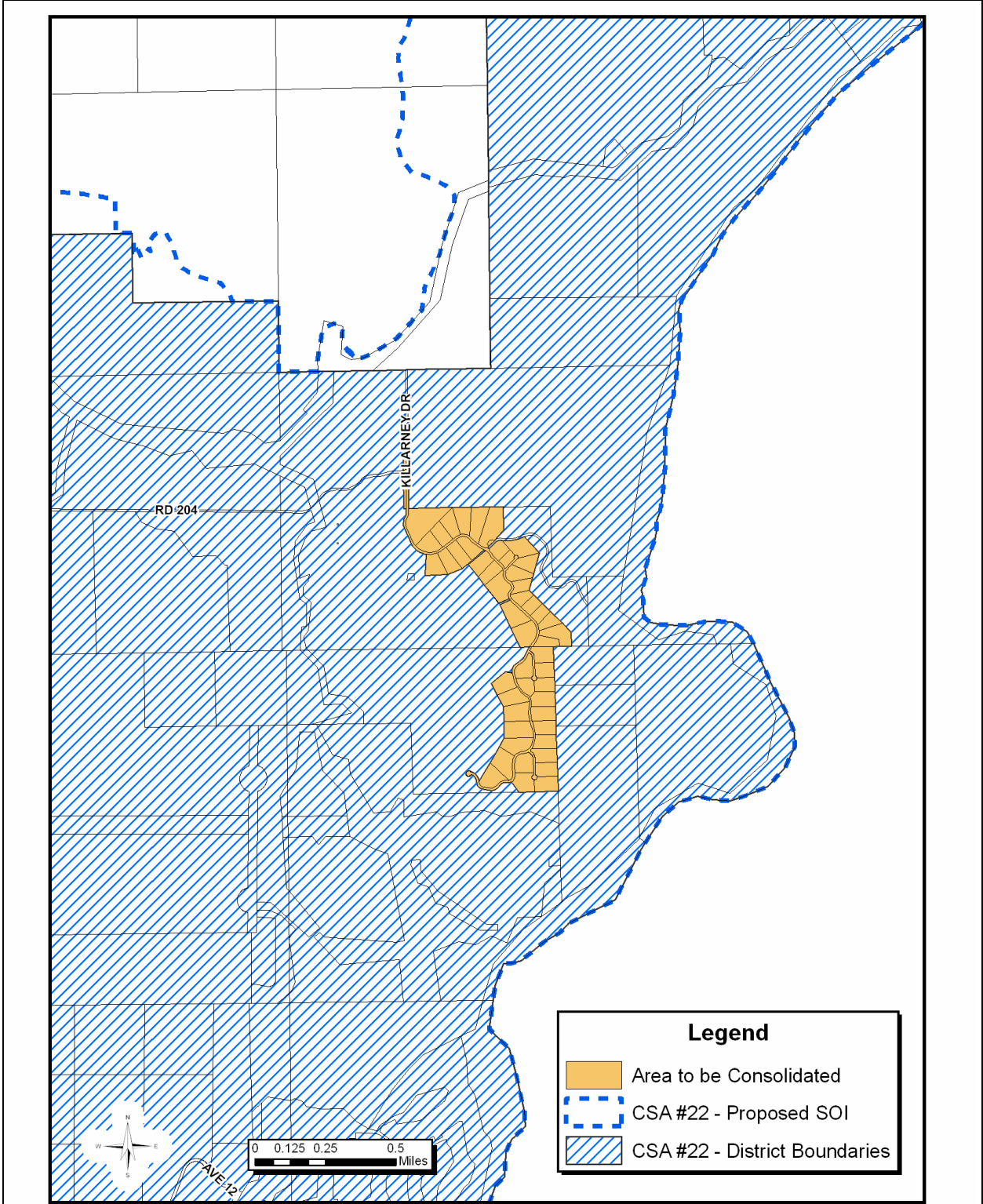


Source: Madera LAFCo, November 2009



COUNTY SERVICE AREA 16 TERRITORY AND SPHERE OF INFLUENCE

Figure 3-1



Source: Madera LAFCo, November 2009



**RECOMMENDED SPHERE OF INFLUENCE
COUNTY SERVICE AREA 16**

**Figure
3-2**

3.8 County Service Area 16 Determinations

Determination 3.1 - County Service Area 16 is authorized to provide water supply, water distribution, and sewer collection and disposal services. These services are currently being provided to the developed lots within the district territory. All other service options are latent.

Determination 3.2 - County Service Area 16's rate structure is adequate for everyday operations of its facilities. However, increasing maintenance costs due to the age of its facilities could require increases in service fees in the future.

Determination 3.3 - As the area surrounding County Service Area 16 develops, there will be an opportunity to share the new water and sewer facilities that will be constructed with new development. The feasibility of consolidation of sewer and water facilities should be studied during the County approval process of surrounding development projects as a strategy for avoiding the expected service cost increases that will result from the existing aging facilities.

Determination 3.4 - As the greater Rio Mesa area develops from a mostly rural to a mostly urban area, the demand for municipal services will increase within CSA 16. There will eventually be need for improved police and fire protection, and the residents within CSA 16 will want to utilize the public facilities, such as parks. Consolidation of CSA 16 into the larger CSA 22 will allow its residents to participate in the sharing of costs and benefits of these community facilities.

Determination 3.5 - To further LAFCo's goal of moving toward a single service provider for the Rio Mesa area, County Service Area 16 should be consolidated with the larger County Service Area 22. The first step toward consolidation would be to eliminate CSA 16's SOI and include its territory in CSA 22's SOI. By this change, LAFCo will be making a policy statement that the long term plan for CSA 16 is that it be consolidated with CSA 22.

3.9 County Service Area 16 Recommendations

Recommendation 3.1 - Direct the Executive Officer to process and bring before the Commission an application for the amendment of the Sphere of Influence for County Service Area 16 as recommended in the Greater Rio Mesa Area Municipal Service Review.

Recommendation 3.2 - Direct the Executive Officer to begin discussions with the residents within CSA 16 regarding the potential consolidation of CSA 16 with CSA 22.

Recommendation 3.3 - Direct the Executive Officer to encourage the Madera County Board of Supervisors to adopt the resolutions necessary to propose consolidation of CSA 16 with CSA 22.

SECTION 4.0 COUNTY SERVICE AREA 19

4.1 Introduction

County Service Area 19 (CSA 19) covers the existing residential neighborhood known as Rolling Hills. It was founded on September 11, 1984. The neighborhood currently contains 345 dwelling units, and has 27 undeveloped lots (9 residential and 18 commercial), for a total of 354 dwelling units and 18 commercial lots in the neighborhood. CSA 19 provides domestic water services and road maintenance to the residential units within the Rolling Hills neighborhood. In 2008, there were 528 registered voters in the District. CSA 19's SOI is conterminous with its existing boundary, as shown in Figure 4-1. CSA 19 is governed by the Madera County Board of Supervisors. Staff from Madera County Resource Management Agency operates and maintains the District's facilities.

4.2 Existing Facilities and Assets

Domestic water is supplied via a well (Well #2) which pumps groundwater from depths ranging from 240 to 700 feet deep. The well produces 400 gallons per minute. The water is distributed via asbestos cement pipe. A number of these pipes run under private rear yards causing access problems when maintenance is needed. The water is chlorinated. A second well was recently added. This well (Well #3) will provide 600 gallons per minute. The system also includes two 9,000 hydropneumatic tanks, a 330,000 gallon storage tank, a booster pump with emergency generator, and 74 fire hydrants. The new well and storage tank will alleviate past experiences with unreliable water quantity.

Residences do not have individual water meters, although commercial users are required to have water meters. There is blue green slime contamination in part of the aquifer. The District is monitoring this issue. Septic systems are used throughout the District to provide sewer services.

Road maintenance is provided for the local public roadways within the District. .

4.3 Plans for Future Services

There are no plans to expand water services beyond provision of service to the unbuilt lots. There are no plans to expand the local road network, so there will not be additional roads to maintain in the future. There are no plans to provide additional types of services.

4.4 Financial Ability to Provide Services

CSA 19 receives a dedicated share of the one percent property tax. Table 4-1 shows a summary of the CSA 19 budget for FY 2008/09. For FY 2008/09, property tax revenues were anticipated to be approximately 13 percent of anticipated revenue. CSA 19 has an unreserved cash balance of approximately \$200,000. The majority of the District's operating expenses are for operations and maintenance costs with gas and electricity comprising approximately 93.4 percent of all expenditures. Annually, revenues from all sources appear adequate to fund water service

provision in CSA 19. In addition to annual operating and maintenance expenditures, CSA 19 residents also recently approved a special assessment that was used to issue bonds. Approximately \$2.9 million in proceeds from the special assessment bonds were used to fund the new well, storage and related water infrastructure facilities described below. Annual debt service on the special assessment bonds is approximately \$125,000 per year.

**Table 4-1
County Service Area 19 Budget**

District Name	County Service Area 19 (CSA 19)	
General Description	Water and Road Maintenance: Provides domestic water supply and road maintenance for the Rolling Hills neighborhood.	
Share of 1% Property Tax		
Budget Info:		
	<i>Total</i>	<i>Percent</i>
Revenues	<u><i>FY 2008/09</i></u>	<u><i>of Cost</i></u>
Property Taxes	\$22,704	12.5%
Assessments	\$0	0.0%
Special Taxes	\$0	0.0%
User Fees	\$153,466	84.3%
Transfers In	\$0	0.0%
Other revenues	\$5,830	3.2%
TOTAL	\$181,999	100.0%
	<i>Total</i>	<i>Percent</i>
Expenditures	<u><i>FY 2008/09</i></u>	<u><i>of Cost</i></u>
Management	\$9,515	6.6%
Service and Supplies	\$64,607	45.0%
Water Acquisition	\$0	0.0%
Utilities	\$69,606	48.4%
TOTAL	\$143,727	100.0%
Fund Balance [1]:	<u>\$204,790</u>	
Bonded Indebtedness:		
Assessment District Bonds	<u>\$3,505,212</u>	(approx.)

"csa19"

[1] Fund balance represents an accumulated fund balance that carries forward in each fiscal year and reflects any difference between revenues and expenditures in any given year.

Source: EPS, November 2009

The financial accounting for the District, which is prepared by Madera County, appears to be compliant with applicable laws governing public agencies.

4.5 Facilities and Opportunities for Shared Facilities

The last water system master plan prepared for CSA 19 was completed in 1993. Among other things, this report suggested completion of a second well to provide an additional source of water to meet peak flow demands. This well and a water storage tank were recently completed.

Opportunities for shared facilities will be contingent upon whether surrounding residential and other development occurs. If and when such development occurs, Rolling Hills owners could consider opportunities to connect into a larger water and sewer infrastructure system installed to serve new development. While such connection would not come without cost, the cost would be proportional to the benefit received. In other words, existing Rolling Hills residents would not be subsidizing new development, nor would new development be paying 100 percent of the cost to connect Rolling Hills residents to a water and sewer infrastructure system that they constructed.

As the greater Rio Mesa area develops from a mostly rural to mostly urban area, the demand for municipal services will increase within CSA 19. Eventually, there will be need for improved police and fire protection, and the residents within CSA 19 will want to utilize the public facilities, such as parks.

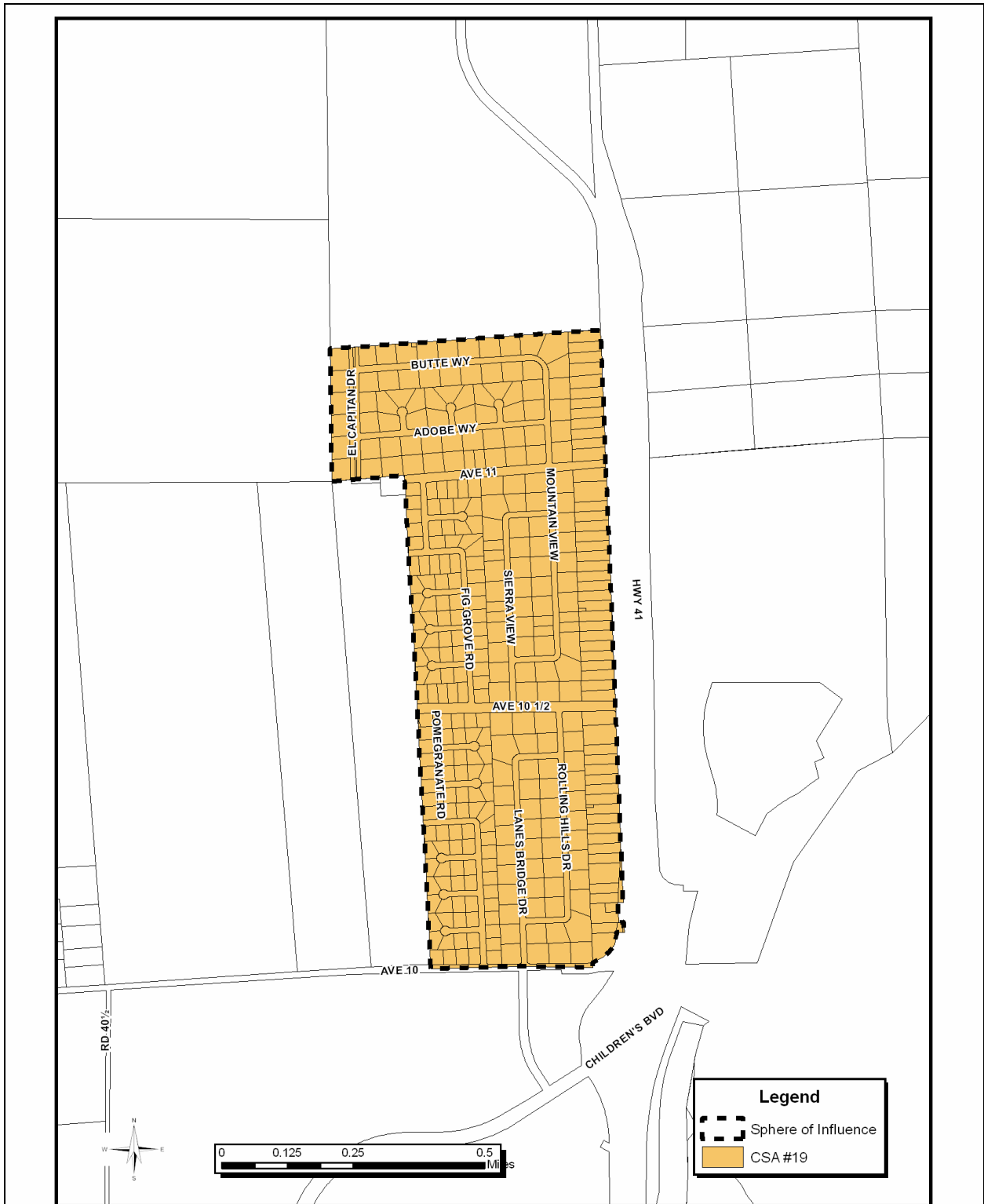
4.6 Opportunities for Rate Restructuring

Table 3-2 shows the water and sewer rates for CSA 19 users as compared to the water and sewer rates for other service providers in the area. As shown in Table 3-2 CSA 19 rates are at the upper end of the range as compared to other districts. While at the upper range of comparable rates, the monthly rates for Rolling Hills residents, which are not metered, are reasonable. If future development in the Rio Mesa area comes to fruition, there may be opportunities for shared facilities and consequently opportunities for rate restructuring.


4.7 Governance

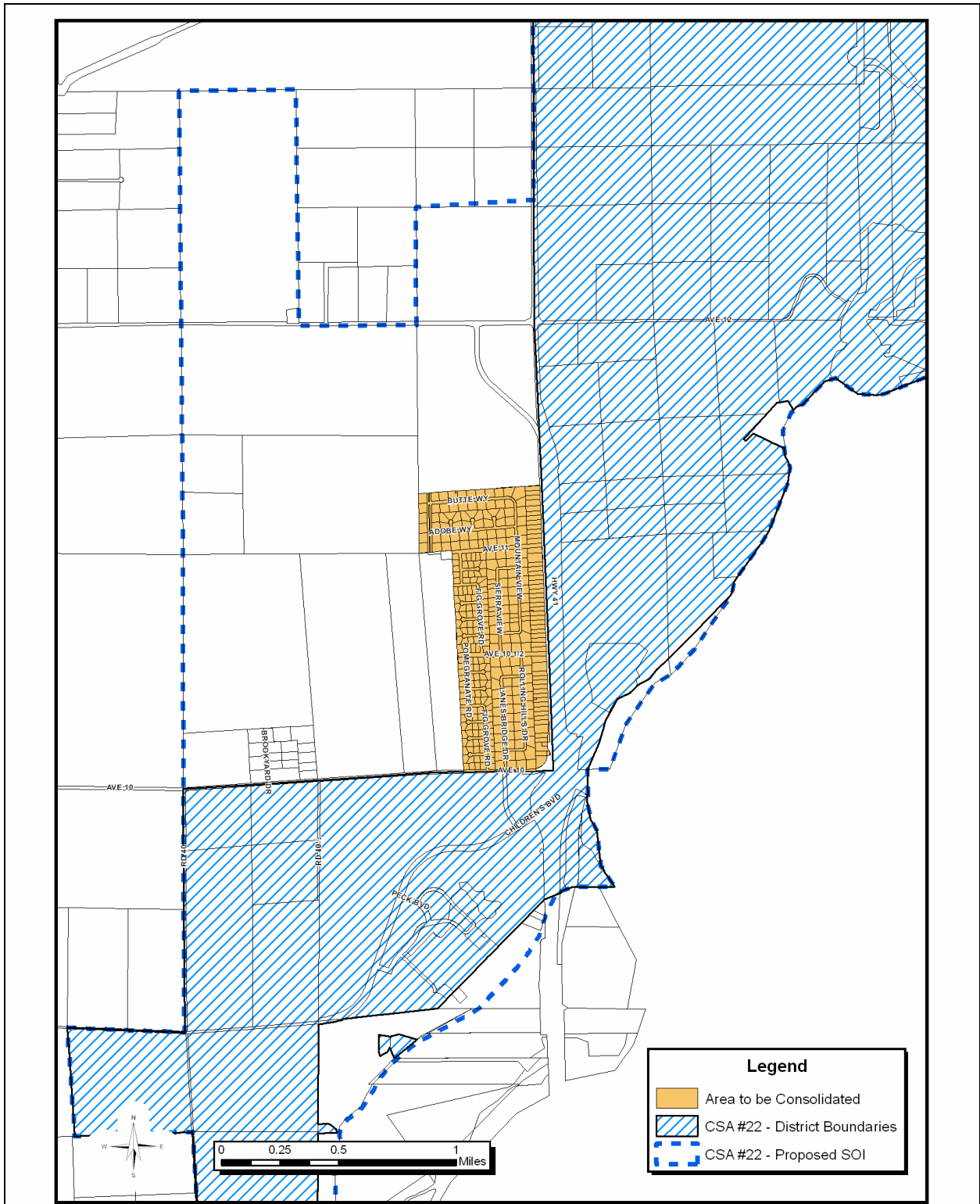
CSA 19 is governed by the Madera County Board of Supervisors as the CSA is a dependent special district. Staff from Madera County Resources Management Agency operates and maintains the District's facilities. CSA 19 realizes operational efficiencies by utilizing County staff because the annual operating budget of the CSA is not adequate to justify hiring full time staff to operate the CSA. County Resources Management Agency staff spends only a portion of their time in operating and maintaining CSA 19 in addition to their other job duties. Based on self-reported information, it appears that the district maintains its financial and other records and conducts its required meetings in compliance with applicable laws governing public agencies.

CSA 19 is adjacent to the larger CSA 22. The goals of sharing infrastructure with future nearby development and of having a single governmental structure would be aided by consolidating CSA 19 with CSA 22. The territory of CSA 19 could be established as a Zone of Benefit within CSA 22. This would combine the area into one government entity, but allow the Rolling Hills neighborhood to retain separate rate structures and levels of service.



Source: Madera LAFCo, November 2009

 <p>Quad Knopf</p>	<p>COUNTY SERVICE AREA 19 TERRITORY AND SPHERE OF INFLUENCE</p>	<p>Figure 4-1</p>
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Source: Madera LAFCo, November 2009



**RECOMMENDED SPHERE OF INFLUENCE
CHANGE FOR COUNTY SERVICE AREA 19**

**Figure
4-2**

LAFCo has the power to initiate the consolidation of the two districts. In addition, the Board of Supervisors, acting as the governing body of both Districts, can also initiate consolidation proceedings. The recommended process would be to first amend the SOIs by adding the Rolling Hills neighborhood to the Sphere of CSA 22 and eliminating the SOI of CSA 16. This would establish LAFCo's long term plan for the Districts. Next, neighborhood meetings would be held to receive input from the residents about a proposed consolidation of districts. After hearing the results of the neighborhood meeting, both LAFCo and the Board of Supervisors could decide when, and if, either of them wants to initiate proceedings to consolidate the two districts.

4.8 County Service Area 19 Determinations

Determination 4.1 - County Service Area 19 is authorized to provide water supply, water distribution, and roadway maintenance services. These services are currently being provided to the developed lots within the district territory. All other service options are latent.

Determination 4.2 - County Service Area 19's rate structure is adequate for everyday operations of its facilities. However, increasing maintenance costs due to the age of its facilities could require increases in service fees in the future.

Determination 4.3 - As the area surrounding County Service Area 19 develops, there will be an opportunity to share the new water facilities that will be constructed with new development. The feasibility of consolidation water facilities, as well as the possible addition for sewer collection facilities, should be studied during the County approval process of surrounding development projects as a strategy for avoiding the expected service costs increases that will result from the existing aging facilities.

Determination 4.4 - As the greater Rio Mesa area develops from a mostly rural to a mostly urban area, the demand for municipal services will increase within CSA 19. There will eventually be need for improved police and fire protection, and the residents within CSA 19 will want to utilize the public facilities, such as parks. Consolidation of CSA 19 into the larger CSA 22 will allow its residents to participate in the sharing of costs and benefits of these community facilities.

Determination 4.5 - To further LAFCo's goal of moving toward a single service provider for the Rio Mesa area, County Service Area 19 should be consolidated with the larger County Service Area 22. The first step toward consolidation would be to eliminate CSA 19's SOI and include its territory in CSA 22's SOI. Through this change, LAFCo will be making a policy statement that its long term plan for CSA 19 is that it be consolidated with CSA 22.

4.9 County Service Area 19 Recommendations

Recommendations 4.1 - Direct the Executive Officer to process and bring before the Commission an application for the amendment of the Sphere of Influence for County Service Area 19 as recommended in the Greater Rio Mesa Area Municipal Service Review.

Recommendations 4.2 - Direct the Executive Officer to begin discussions with the residents within CSA 19 regarding the potential consolidation of CSA 19 with CSA 22.

Recommendations 4.3 - Direct the Executive Officer to encourage the Madera County Board of Supervisors to adopt the resolutions necessary to propose consolidation of CSA 19 with CSA 22.

SECTION 5.0 COUNTY SERVICE AREA 22

5.1 Introduction

County Service Area 22 (CSA 22) generally covers most of the County's Rio Mesa Plan area. It was founded on July 28, 1992. The District contains 80 developed parcels and 216 undeveloped parcels. In 2008, there were 24 registered voters in the District. CSA 22's territory surrounds, but does not overlap, the territory within CSA 16 and CSA 19. Its territory overlaps all of the territory of Sierra Foothills Public Utility District. It also overlaps a small portion of Root Creek Water District. CSA 22's SOI is coterminous with its boundaries (see Figure 4-1). CSA 22 is governed by the Madera County Board of Supervisors. Staff from Madera County Resource Management Agency provides technical and professional support to the District.

5.2 Existing Facilities and Assets

CSA 22 provides street maintenance, street lighting, and fire protection services at a temporary fire station within Zone of Benefit B, which encompasses the Children's Hospital of Central California facilities. The Hospital maintains a wastewater treatment plant that is sized to accommodate its needs. Improvement plans are being prepared for a regional sewer facility that will eventually replace the current plant. This new facility will be operated by the District. There are no services currently being provided outside of the Zone of Benefit B.

5.3 Plans for Future Services

On June 24, 2008, the Madera County Board of Supervisors adopted Resolution 2008-149, which requested that LAFCo reactivate the latent powers of CSA 22. The effect of this action by the Board was to take a policy position that future urban services in the greater Rio Mesa area should be provided by CSA 22. The services that could be provided in the future include:

- Domestic water supply
- Domestic water distribution
- Sewer collection and disposal
- Storm drainage
- Flood control
- Street construction and maintenance
- Street sweeping
- Street lighting and landscaping
- Solid waste collection, transfer, disposal
- Fire protection
- Police protection
- Ambulance service
- Emergency medical service
- Electrical power
- Undergrounding of overhead electrical and communication facilities
- Parks and recreation

- Community facilities
- TV translator stations
- Vector and pest control
- Funding for land use planning
- Funding for a municipal advisory council
- Street sweeping
- Graffiti abatement
- Weed and rubbish abatement
- Services provided by a municipal advisory council
- Soil conservation
- Animal control
- Transportation
- Cemeteries
- Airports
- Open space and habitat conservation

Future developers will be required to install the infrastructure for future water and sewer systems. The master planning for the Rio Mesa area that has occurred to date proposes a total of seven wastewater treatment plants, each with their own service territory defined. The combined territories of the seven treatment plant's territories are coterminous with CSA 22. One of those service territories is coterminous with the boundary of Sierra Foothills PUD.

The master planning effort also identifies the areas that would be served by domestic wells and the areas that would be served by water from the San Joaquin River. A total of four fire station service areas have been delineated. Provisions will also be made for other services such as police and fire protection, parks, and other amenities.

5.4 Financial Ability to Provide Services

Table 5-1 shows a summary of the CSA 22 budget for FY 2007/08. All costs for municipal services to the Children's Hospital of Central California facilities are offset by direct charges to the hospital and surrounding uses. The financial accounting for the District, which is prepared by Madera County, appears to be compliant with applicable laws governing public agencies.

Presently, the County of Madera has development impact fees in place that are intended to fund new development's proportionate share of costs for the following facilities:

- General government
- Countywide public protection
- Library
- Parks
- Sheriff patrol and investigation
- Fire

**Table 5-1
County Service Area 22 Budget**

District Name	County Service Area 22 (CSA 22)	
General Description	Full Range of Urban Services: Currently provides sewer, electricity, street maintenance and street lighting within Zone B.	
Share of 1% Property Tax	<u>0.00205008</u>	(FY 2009/10)
Budget Info:		
	<i>Total</i>	<i>Percent</i>
Revenues	<u><i>FY 2007/08</i></u>	<u><i>of Cost</i></u>
Property Taxes	\$0	0.0%
Assessments	\$136,257	98.6%
Special Taxes	\$0	0.0%
User Fees	\$0	0.0%
Transfers In	\$0	0.0%
Other revenues	\$1,964	1.4%
TOTAL	\$138,221	100.0%
	<i>Total</i>	<i>Percent</i>
Expenditures	<u><i>FY 2007/08</i></u>	<u><i>of Cost</i></u>
Management	\$0	0.0%
Service and Supplies	\$0	0.0%
Water Acquisition	\$0	0.0%
Utilities	\$0	0.0%
Transfers Out	\$177,549	100.0%
TOTAL	\$177,549	100.0%
Fund Balance [1]:	<u>\$43,875</u>	
Bonded Indebtedness:	<u>n/a</u>	

"csa22"

[1] Fund balance represents an accumulated fund balance that carries forward in each fiscal year and reflects any difference between revenues and expenditures in any given year.

Source: EPS, November 2009

Plans to provide future infrastructure capacity and ongoing operations and maintenance cost for such infrastructure assume that new development within each master development area will be responsible to fund such costs. Present planning assumes that each development sub-area within CSA 22 might develop independently of another and that infrastructure facilities will be provided on a pay-as-you-go-basis by benefiting land uses within the developing sub-area.

The County indicates that financing for specific facilities or infrastructure shall be provided by master development agreements and project specific conditions of approval. Because the County

has land use authority, it has the authority to place conditions on development approvals and to enter into discretionary development agreements. Dependent or independent special districts do not have that same authority.

5.5 Facilities and Opportunities for Shared Facilities

Aside from the Zone of Benefit B area, CSA 22 does not own or operate any facilities. A number of development applications that, if approved, would be developed within the CSA 22 boundaries are in various states of completion. If one or more of these planned projects proceeds, there would be opportunities for shared backbone infrastructure facilities, such as water and sewer infrastructure systems. Additionally, in 2008, at the request of the Madera County Board of Supervisors, LAFCo activated many latent powers that CSA 22 is now authorized to provide. As outlined in the First Preliminary Document, these activated powers include the full range of municipal services that would be required to serve new urban development.

Sewer infrastructure master planning for the Rio Mesa Area has also proposed a total of seven wastewater treatment plants, each with their own identified service territory. The combined service area of the seven treatment plant's territories is coterminous with CSA 22 boundaries. One of those service territories is also coterminous with the boundary of Sierra Foothills PUD.

Future developers will be required to install water, sewer and other backbone infrastructure required to serve their development projects. These improvements will likely be funded through a combination of private equity, debt or public financing mechanisms, such as Mello-Roos Community Facilities or Assessment District debt obligations. CSA 22 will need to establish capacity or connection charges to ensure that new development will pay its proportionate share of backbone infrastructure costs.

5.6 Opportunities for Rate Restructuring

Because authorized services are not being provided beyond the Zone of Benefit B boundaries at this time, there is not a reason to examine additional opportunities for rate restructuring. As mentioned previously, if sewer and/or other infrastructure eventually connected and served additional territories in the Rio Mesa area, the rate structure would reflect that condition and may result in lower rates for all Rio Mesa area customers.

5.7 Governance

CSA 22 is governed by the Madera County Board of Supervisors as the CSA is a dependent special district. Staff from Madera County Resources Management Agency spends a portion of their time operating and maintaining the District's facilities. Based on self-reported information, it appears that the District maintains its financial and other records and conducts its required meetings in compliance with applicable laws governing public agencies.

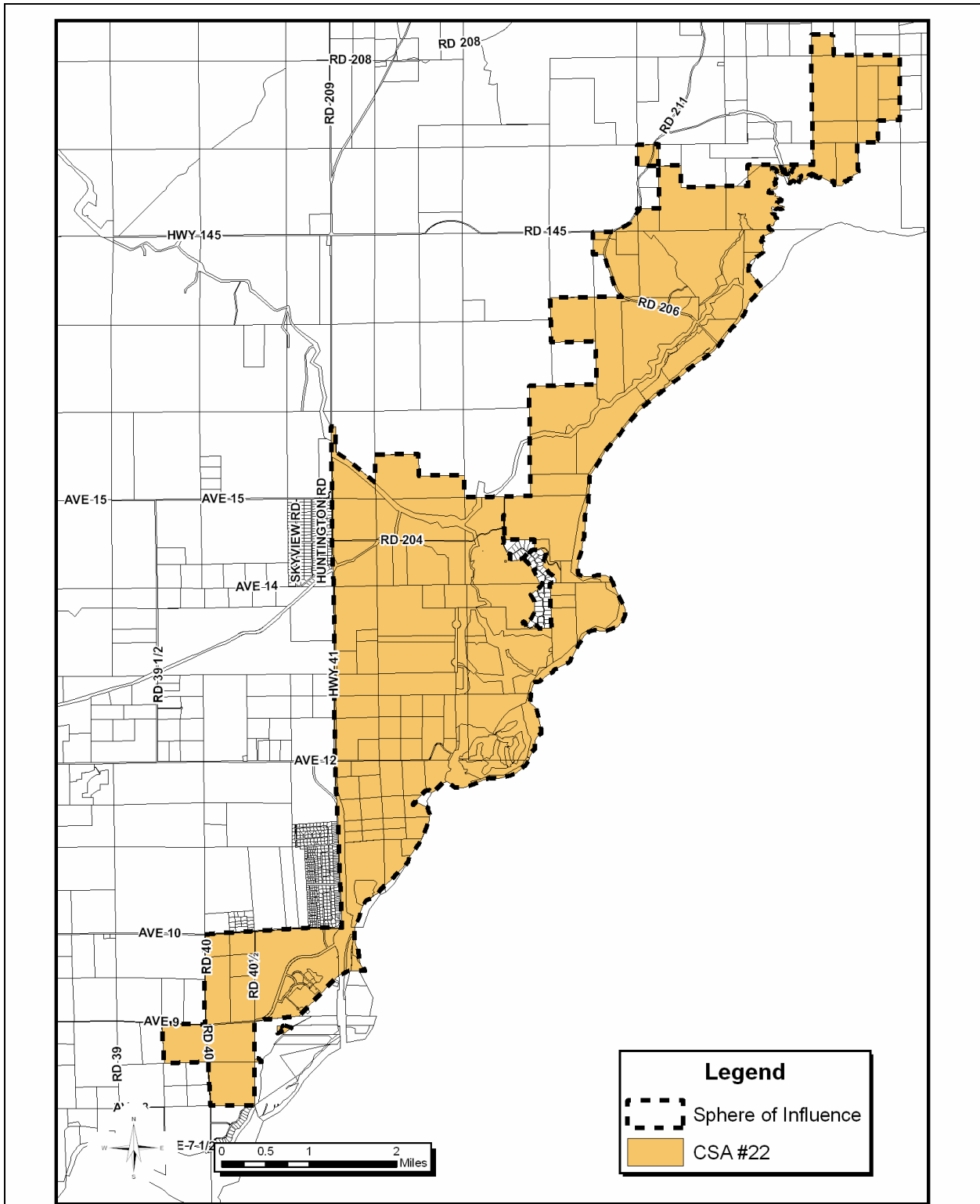
CSA 22 overlaps or surrounds CSA 16, CSA 19, and Sierra Foothills Public Utility District. These three districts each provide limited services to their respective territory. CSA 22 contains

a larger, more comprehensive, territory and is authorized to provide the full range of urban services.


Given the regional nature of certain infrastructure systems, such as water and sewer infrastructure systems, the sub-area by sub-area infrastructure master planning approach might benefit from the coordination of one district or agency rather than several. Among others, options might include a joint powers authority where multiple service providers agree to jointly lead and manage service provision.

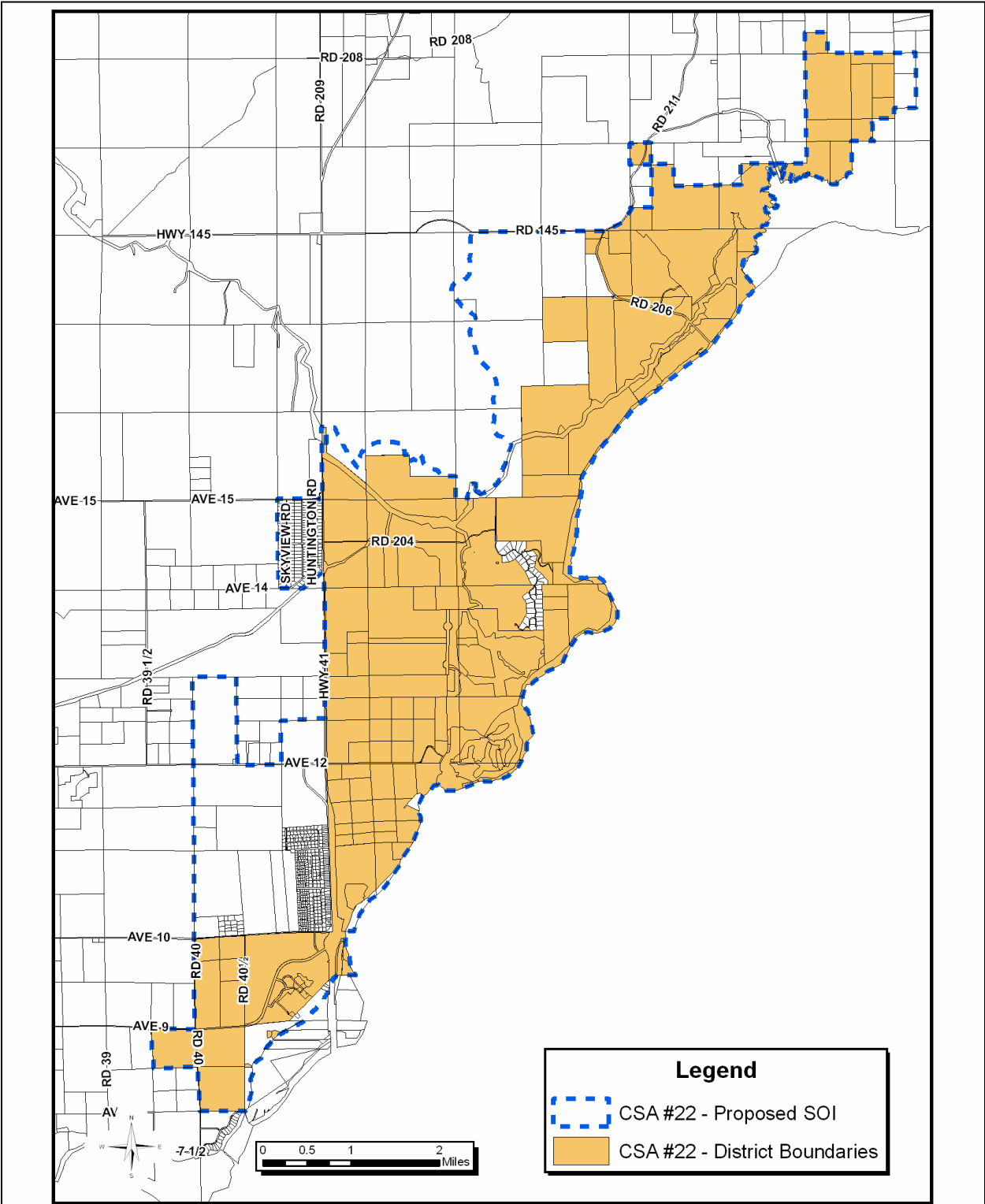
As stated above, CSA 22 has the service authority and size to eventually provide all of the municipal services that would be needed in the Rio Mesa area. Because its powers are very similar to the powers of a CSD, the CSA could be converted into a CSD at some point in the future when the residents have sufficient size and desire to run the District independently of the County Board of Supervisors.

While CSA 22 is the largest district in the greater Rio Mesa area, it does not cover all of the proposed development areas. CSA 22 can provide a number of community-wide services that other districts in the area are either not authorized by law to provide or have no plans to provide. Expanding CSA 22's SOI to include all land that is developed or planned for development in the area will establish LAFCo policy that CSA 22 is to be the long term service provider for the greater Rio Mesa area. To include all land developed or planned for development, CSA 22's SOI would need to be expanded to include all portions of the Rio Mesa Area Plan, the Gateway Village Plan (which also includes MD 57), the Cobb Ranch plans, and the Gunner Ranch West plans that are planned for development. It will also need to include the areas currently covered by CSA 16, CSA 19, and MD 14.




Source: Madera LAFCo, November 2009

 <p>Quad Knopf</p>	<p>COUNTY SERVICE AREA 22 TERRITORY AND SPHERE OF INFLUENCE</p>	<p>Figure 5-1</p>
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Source: Madera LAFCo, November 2009

 <p>Quad Knopf</p>	<p>RECOMMENDED SPHERE OF INFLUENCE CHANGE FOR COUNTY SERVICE AREA 19</p>	<p>Figure 5-2</p>
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5.8 County Service Area 22 Determinations

Determination 5.1 - County Service Area 22 is authorized to provide all of the municipal services that state law allows county service areas to provide. Street maintenance, street lighting and fire protection services are currently being provided to the area within Zone of Benefit B. Other services that are authorized, but not being currently provided, will remain authorized by LAFCo, and will be reviewed again during CSA 22's next municipal service review in approximately five years.

Determination 5.2 - County Service Area 22's rate structure is adequate for everyday operations of its facilities.

Determination 5.3 - As the area within County Service Area 22 develops there will be an opportunity to share facilities with adjacent existing development. The feasibility of consolidating water facilities, as well as the possible addition for sewer collection facilities, should be studied during the County approval process of development projects as a strategy for avoiding the expected service costs increases that will result from the existing aging facilities.

Determination 5.4 - To further LAFCo's goal of moving toward a single service provider for the Rio Mesa area, County Service Area 22 should be consolidated with other existing developed areas. These include CSA 16, CSA 19, MD 14, and MD 57. The first step toward consolidation would be to expand CSA 22's SOI to include this territory and all other areas planned for development in the greater Rio Mesa area. Through this change, LAFCo will be making a policy statement that its long term plan for CSA 22 is to be the major, and possibly only, service provider in the greater Rio Mesa area.

5.9 County Service Area 22 Recommendations

Recommendation 5.1 - Direct the Executive Officer to process and bring before the Commission an application for the amendment of the Sphere of Influence for County Service Area 22 as recommended in the Greater Rio Mesa Area Municipal Service Review.

Recommendation 5.2 - Direct the Executive Officer to encourage the governing board of County Service Area 22 to utilize the concept of zones of benefit to recognize the distinctly different service areas and/or fee structures in the developed and developing areas of County Service Area 22.

SECTION 6.0 SIERRA FOOTHILLS PUBLIC UTILITY DISTRICT

6.1 Introduction

Sierra Foothills Public Utility District (SFPUD) was incorporated as a public utility district on December 28, 1998, after approval by the Madera County LAFCo and the Madera County Board of Supervisors. The original purpose of the SFPUD was to develop and operate public infrastructure facilities to the Rio Mesa - Avenue 12 Village - Master Plan Community. As of this writing, Avenue 12 Village has not been entitled and future development plans are unclear. The SFPUD's current service area includes approximately 2,260 acres and includes the District owned and operated Riverbend Golf Course.

There are currently only 7 registered voters within the District. SFPUD's SOI is conterminous with its existing boundary (see Figure 6-1). SFPUD is an independent district governed by a Board consisting of three members that are elected by the 7 registered voters within the District.

6.2 Existing Facilities and Assets

SFPUD currently provides domestic and irrigation water service to the Riverbend Golf Course. A well pumps groundwater for domestic use at the golf course clubhouse. Irrigation water is provided to the golf course via pumps in the San Joaquin River. SFPUD also owns and operates Riverbend Golf Course as a semi-public golf course.

6.3 Plans for Future Services

Upon formation, the SFPUD was authorized to provide a limited scope of municipal services. Under its original incorporation authority, the District had the legal authority to own, operate, approve, monitor, operate and maintain municipal infrastructure such as street lighting, power, communications, water systems, wastewater collection, treatment and disposal, drainage/flood control services and garbage collection and disposal. The SFPUD was also authorized to provide an array of municipal type public services including, street lighting, public parks and recreation, fire prevention and suppression and other public buildings. Currently, the only service provided by the SFPUD is operation of the public golf course and related facilities. All other powers originally authorized to provide the array of public facilities and services noted above are considered latent.

Originally, the District's expectation was that, as development occurs in the District, it would have provided the following services:

- Water Provision
- Water Distribution
- Sewer collection and disposal
- Storm drainage
- Street construction and maintenance
- Parks and recreation facilities and services

Street lighting
Electrical power
Solid waste collection and disposal
Cable TV

As part of the planning of the overall Rio Mesa area, one of the sanitary sewer master planned service territories is shown as coterminous with the boundary of SFPUD. However, the Board of the District envisions that the District boundaries could expand to include other developing areas in the Rio Mesa area.

In accordance with correspondence received, the District now plans to only provide gas and electricity service, in addition to the existing recreation service. The District currently is seeking qualified firms to plan, entitle, design, build, operate and finance electric and natural gas utilities. According to the Request for Proposals (RFP), the District's plan and intention is to award and execute a contract as a design-build-finance-operate project under the provisions of California Government Code Section 5956. Responses to this RFP are being received during the writing of this MSR. Before construction commences on these facilities, the District would need to request LAFCo to reauthorize the District to provide these services.

6.4 Financial Ability to Provide Services

A review of recent SFPUD budgets indicates the primary ongoing revenue stream comes from golf course operations. The 2009/10 SFPUD Budget anticipates revenues from loan proceeds and a small amount of rental income to support non-golf course related administration and operations expenditures. Table 6-1 shows a summary of the SFPUD budget for FY 2009/10. SFPUD revenues are projected to be \$2.7 million with annual expenditures of \$3.0 million. This results in a budgeted annual deficit of \$295,065 for FY 2009/10. The District's budget indicates this shortfall will be covered through loan proceeds from an outside source. This borrowing is anticipated to be in addition to \$670,000 of loan proceeds for operations included in the FY 2009/10 budget to support SFPUD administration and operations. Golf course operations accounts for 67 percent of the SFPUD annual expenditure budget (\$2.0 million). SFPUD administration and non-golf course operations account for the remaining 33 percent of the annual budget (\$986,000).

As noted above, other than operating the golf course and providing water for the golf course and one residence, the SFPUD does not provide any public services. As a result, District administration and operations are assumed to be funded primarily with the proceeds from a loan. According to the SFPUD General Manager, this loan is expected to be funded by the end of September 2009. Aside from golf course operations and minor meeting, administration and other miscellaneous costs, the annual expenditures of the District relate to interest on the loan, some outstanding legal judgments (estimated by the General Manger to be between \$40,000 and \$50,000) and legal and other outside services. The SFPUD indicates that other than a recently negotiated loan to be executed by the end of September 2009, the District does not have any outstanding debt obligations.

**Table 6-1
Sierra Foothills Public Utility District Budget**

District Name	Sierra Foothills Public Utility District (SFPUD)	
General Description	Recreation Services: Operates the Riverbend Golf Course.	
Share of 1% Property Tax	<u>n/a</u>	
Budget Info:		
	<i>Total</i>	<i>Percent</i>
Revenues	<i>FY 2009/10</i>	<i>of Cost</i>
Loan Proceeds for Operations	\$670,000	24.6%
Golf Course Operations	\$2,048,500	75.3%
Property and Special Taxes	\$0	0.0%
User Fees	\$0	0.0%
Transfers In	\$0	0.0%
Other revenues	\$3,600	0.1%
TOTAL	\$2,722,100	100.0%
	<i>Total</i>	<i>Percent</i>
Expenditures	<i>FY 2009/10</i>	<i>of Cost</i>
District Administration	\$202,305	6.7%
District Operations	\$784,000	26.0%
Golf Course Operations	\$2,030,860	67.3%
TOTAL	\$3,017,165	100.0%
Fund Balance [1]:	<u>n/a</u>	
Bonded Indebtedness [2]:	<u>\$670,000</u>	

"sfpub"

[1] Fund balance represents an accumulated fund balance that carries forward in each fiscal year and reflects any difference between revenues and expenditures in any given year.

[2] Includes anticipated loans for upcoming year's operations in the amount of \$670,000.

Source: EPS, November 2009

It appears as though the SFPUD has historically funded administration and operations activities with golf course revenues and a series of loans. According to the District's General Manager, through refinancing and other actions, the District does not currently have any outstanding debt. However, the District is preparing to take on additional debt obligation at the end of September 2009. As was stated above, the District is currently seeking a qualified firm to design, build, finance, and operate future facilities. One requirement of the proposal is the selected firm to deposit \$3.5 million (possibly being revised to \$4.0 million) with the SFPUD. It is the intention of SFPUD to use these funds to repay the previously noted loan that is anticipated to be funded

by the end of September 2009 and also to fund other district operations, including, but not limited to, a rate study.

SFPUD's history of funding operating shortfalls with loans is not a sustainable financing strategy. SFPUD will need to identify on going revenues to maintain financial viability and to ultimately support the construction of public facilities and the cost of providing public services. Furthermore, in light of the fact that all of the District's powers outside of park maintenance are latent, the District presently has no authority to provide expanded municipal services without additional authorizations granted through LAFCo.

6.5 Facilities and Opportunities for Shared Facilities

Because no development has occurred within the SFPUD, other than the facilities necessary to support golf course operations, the District has not developed any service facilities. As described earlier, sewer infrastructure master planning for the Rio Mesa Area has also proposed a total of seven wastewater treatment plants, each with their own identified service territory. One of those service territories is coterminous with the boundary of Sierra Foothills PUD.

SFPUD is overlapped by CSA 22. CSA 22 contains a larger more comprehensive territory and was originally authorized to provide the full range of urban services. It should be noted that since the only service which the District has activated relates to the golf course and that all other service are considered to be latent. SFPUD is independently operated and governed, and originally had a long term mission to expand and be the service provider in the area. However, any expansion would be into territory that is already covered by CSA 22.

Since SFPUD is not planning on providing some municipal services such as police and fire protection, CSA 22 will still to be a service provider of some services, which will result in municipal services being provided to the same residents by separate districts. This would result in duplicative costs for administration of the districts. Combining all services under the jurisdiction of one district would avoid duplicative costs.

6.6 Opportunities for Rate Restructuring

Because services are not authorized nor being provided at this time, there is no reason to examine opportunities for rate restructuring. The District does not charge itself for its provision of water to the golf course. The SFPUD indicated that they would like to fund a rate study as soon as sufficient revenues are available.

6.7 Governance

SFPUD is an independent public utilities district pursuant to Public Utilities Code 15795. As an independent utility district, SFPUD has its own board of directors that meet to set the policy direction of the District. SFPUD Board is elected by the seven registered votes in the District. The Board meets at its District offices located at the Riverbend Golf Course. The regular meeting is scheduled for 2:00pm on the last Thursday of the month. There is General Manager who manages day to day operations, and support staff whose hours are split between the PUD

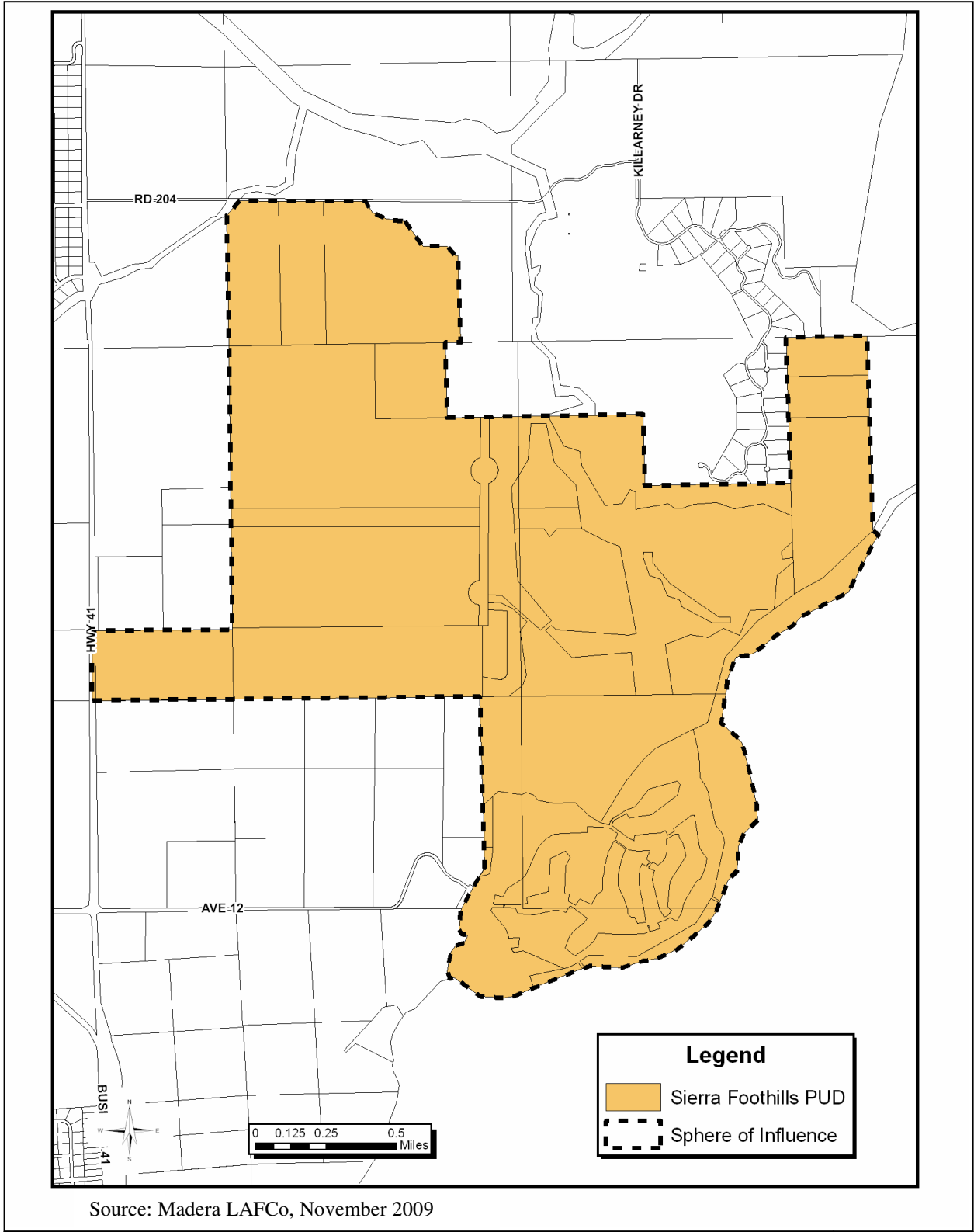
and the golf course. The District has 27 full time equivalent employees, as of June 2009. Based on self-reported information, it appears that the District maintains its financial and other records and conducts its required meetings in compliance with applicable laws governing public agencies.


Given the planned urban nature of the Avenue 12 Village project, future residents and employees will demand urban levels of law enforcement, fire protection, parks and recreation, roadway and street light maintenance services. Other than law enforcement and planning, the SFPUD could be authorized to provide many other municipal type services but such services could conflict with the services authorized within CSA 22.

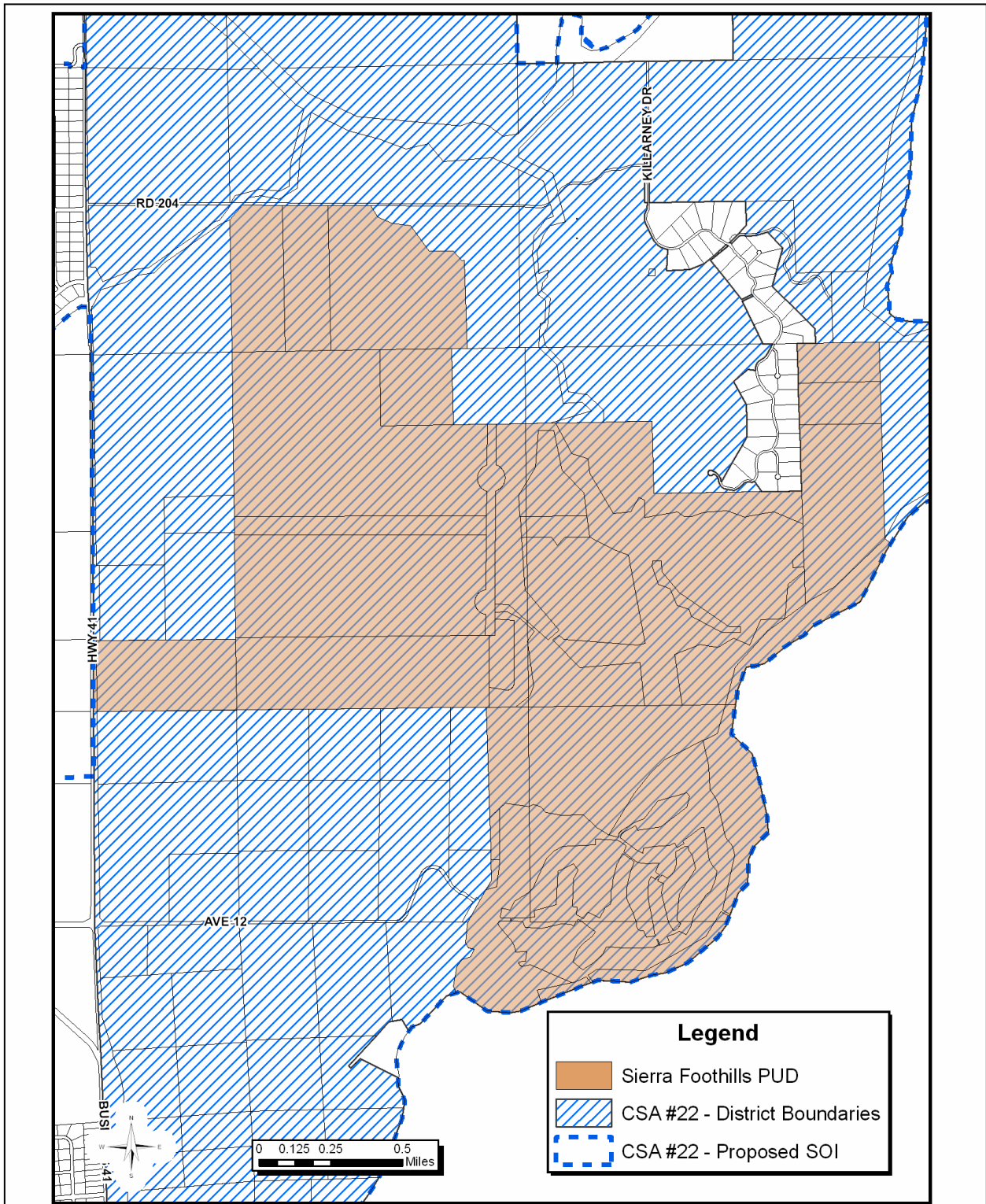
As was stated in the introduction to this MSR, the Cortese-Knox-Hertzburg Act has an assumed preference that municipal services be provided by a single multipurpose agency rather than separate multiple agencies. In this particular case in the greater Rio Mesa area, Madera County has planned enough land for urban development to assume that the area will likely incorporate into a city at some time in the future when development moves forward. Moving toward a single special district for provision of services would be the first step in what will likely be a decades-long process of steps toward city incorporation.

At the same time, SFPUD is in the process of moving forward with planning its infrastructure needs, and if it can be successful in its pursuit of a design/build/operate firm to invest significant dollars into the community for infrastructure, it may be appropriate to let that potential for investment in the area continue. LAFCo could set as its policy that while it prefers to have CSA 22 be the single provider of services in the area, it will allow SFPUD to remain in place to pursue its plans for providing a privately operated bundle of services. Since the District would need LAFCo authorization to implement their plan, the issue of governance of the area could be reevaluated when SFPUD requests reauthorization from LAFCo to provide services.

The way to adopt such a policy would be to eliminate SFPUD's Sphere of Influence, but to take no direct action with regard to the District's territory. Through this set of actions, LAFCo would be stating its intent that CSA 22 be the ultimate, single service provider for the area, and also recognize and not interfere with SFPUD's current moves to establish an infrastructure plan and investment in the area. See Figure 6-2 for the recommended SOI change.



	<p align="center">SIERRA FOOTHILLS PUBLIC UTILITY DISTRICT TERRITORY AND SPHERE OF INFLUENCE</p>	<p align="center">Figure 6-1</p>
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Source: Madera LAFCo, November 2009



**RECOMMENDED SPHERE OF INFLUENCE
CHANGE FOR SIERRA FOOTHILLS PUBLIC
UTILITY DISTRICT**

**Figure
6-2**

6.8 Sierra Foothills Public Utility District Determinations

Determination 6.1 - Sierra Foothills Public Utility District is authorized to provide recreation facilities. These services are currently being provided through the District-owned Riverbend Golf Course. Any other services are considered latent, and must be authorized by LAFCo before they can be provided.

Determination 6.2 - Sierra Foothills Public Utility District's history of funding operating shortfalls with loans is not a sustainable financing strategy. SFPUD will need to identify ongoing revenues to maintain financial viability. Furthermore, in light of the fact that all of the District's powers outside of park maintenance are latent, the District presently has no authority to provide expanded municipal services without additional authorizations granted through LAFCo.

Determination 6.3 - Because of its status as a public utilities district, Sierra Foothills Public Utility District is not able by law to provide the full range of services that will eventually be needed within its territory and in the greater Rio Mesa area.

Determination 6.4 - To further LAFCo's goal of moving toward a single service provider for the greater Rio Mesa area, while at the same time recognizing Sierra Foothill Public Utility District's current efforts to plan and provide a source of investment in public infrastructure, LAFCo prefers that CSA 22 eventually be the single service provider, while not hindering and leaving open the possibility of SFPUD's potential for providing some services in the area if a case can be made in the future. The first step toward this policy would be to eliminate SFPUD's SOI. When SFPUD is ready to propose a plan for providing service, LAFCo can revisit the issue of governance of the territory. Lack of resolution of this issue prior to the required update of this MSR in 5 years would justify initiation of an action by the Commission to dissolve the District.

6.9 Sierra Foothills Public Utility District Recommendations

Recommendation 6.1 - Direct the Executive Officer to process and bring before the Commission an application for the amendment of the Sphere of Influence for Sierra Foothills Public Utility District as recommended in the Greater Rio Mesa Area Municipal Service Review.

Recommendation 6.2 - Direct the Executive Officer to begin discussions with the Board of Directors of the Sierra Foothills Public Utility District regarding the timing of an application to consolidate SFPUD with CSA 22, to dissolve the District, or to identify and develop a range of services which would compliment rather than compete with other urban service providers in the area by limiting its services to the provision of gas and electric services, in accordance with the determinations of the Greater Rio Mesa Municipal Service Review and given the District's current efforts to plan and provide a source of investment in public infrastructure.

SECTION 7.0 ROOT CREEK WATER DISTRICT

7.1 Introduction

Root Creek Water District (RCWD) contains a large majority of the approved, but undeveloped, Gateway Village. A total of 316 acres of Gateway Village is outside the District boundary. The remaining land is also currently undeveloped. RCWD was founded in 1996. The only service RCWD currently provides is the pursuit of water that can be used for the benefit of the properties within the District. The District has been focused on master planning and obtaining water rights that can serve future development. There do not appear to be any registered voters within the District territory. However, the District is a land-owner voter district, meaning that the landowners vote for the Directors of the District, with each landowner having one vote for each dollar of assessed value of his/her land. RCWD's SOI is conterminous with its existing boundary.

RCWD is an independent district governed by a Board consisting of seven members that are elected by the land owners within the District. The Board meets at its District office located at 1396 W. Herndon Avenue, #108, in Fresno. The regular meeting is scheduled for 2:00pm on the second Tuesday of the month. The District's consulting engineer also acts as its General Manager.

7.2 Existing Facilities and Assets

There are no infrastructure assets owned by RCWD. The District contains a large majority of the approved, but undeveloped, Gateway Village. A total of 316 acres of Gateway Village is outside the District boundary. The remaining land is also currently undeveloped and is planned to remain in agricultural use. RCWD was founded in 1996 and was originally authorized to provide water, sewer collection and disposal, and storm drainage/flood control services. Although authorized to provide these services, RCWD currently only works toward providing for future water through the pursuit of water rights. The District has been focused on master planning and obtaining water rights that can serve future urban development. This means that the District currently provides for the provision of water, but not the distribution of water. This distinction between water provision and water distribution is one that is made in California Water District law, as well as other special districts enabling acts. See Figure 7-1 for the District's territory and SOI.

7.3 Plans for Future Services

In the future, the District plans to provide the following services as development occurs:

- Water provision and distribution
- Sewer collection and disposal
- Storm drainage/flood control

According to the California Water Code, these are the only services that RCWD is allowed to provide. Any other services must be provided by the County or by another overlapping district. The Gateway Village Development Agreement assumes that these other services would be provided by CSA 22

7.4 Financial Ability to Provide Services

RCWD's financial statements show the District relies upon assessments and other charges in order to meet its annual financial obligations. Table 7-1 shows a summary of the RCWD budget for FY 2007/08. As shown, other charges for water supply equate to greater than 85 percent of the District's revenues. RCWD has a modest cash balance of approximately \$50,000 as of the end of FY 2008/09. Aside from minor meeting, administration and other miscellaneous costs, the annual expenditures of the District relate to agreements executed to ensure adequate water supply to the approved Gateway Village project. Annually, RCWD expends \$200,000 to comply with its agreement with Westside Mutual Water Company LLC. Through an agreement with Castle & Cooke, annual assessments used to satisfy the Westside Mutual Water Company agreement are being funded by Castle & Cooke. According to District representatives, the reservation fee and standby charge obligations (for the first 4 years) under the Westside Mutual Water Company agreement should be completely satisfied in FY 2009/10. Following that, the District also has an obligation to make its final installment payment of \$150,000 to the Madera Irrigation District (MID) for its agreement with the District once all regulatory approvals have been obtained. At this time, it does not appear that the District has any outstanding debt obligations.

**Table 7-1
Root Creek Water District Budget**

District Name	Root Creek Water District (RCWD)	
General Description	Water Rights: Focuses on obtaining water rights to serve future development.	
Share of 1% Property Tax	<u>n/a</u>	
Budget Info:		
	<i>Total</i>	<i>Percent</i>
Revenues	<u>FY 2007/08</u>	<u>of Cost</u>
Property Taxes	\$0	0.0%
Assessments	\$27,652	12.1%
Special Taxes	\$0	0.0%
User Fees	\$200,000	87.9%
Transfers In	\$0	0.0%
Other revenues	\$0	0.0%
TOTAL	\$227,652	100.0%
	<i>Total</i>	<i>Percent</i>
Expenditures	<u>FY 2007/08</u>	<u>of Cost</u>
Management	\$15,783	7.3%
Service and Supplies	\$0	0.0%
Water Acquisition	\$200,000	92.7%
Utilities	\$0	0.0%
TOTAL	\$215,783	100.0%
Fund Balance [1]:	<u>\$52,650</u>	
Bonded Indebtedness:	<u>n/a</u>	

"rcwd"

[1] Fund balance represents an accumulated fund balance that carries forward in each fiscal year and reflects any difference between revenues and expenditures in any given year.

Source: EPS, November 2009

The financial accounting for the District, which is independently prepared, appears to be compliant with applicable laws governing public agencies. The last audited financial statements were prepared in November 2008.

7.5 Facilities and Opportunities for Shared Facilities

Castle & Cooke prepared and Infrastructure Master Plan (IMP) (2006) to accompany the Gateway Village entitlement application. The IMP identifies the design standards and development criteria that RCWD will implement for all new water, wastewater and storm drainage infrastructure systems constructed to serve new Gateway Village development. The

District used grant funding from the California Department of Water Resources to develop a water monitoring database system as a means to manage water supply and delivery within the district. Grant funding was also used to examine the feasibility of developing and using surface water in addition to ground water sources.

Opportunities for shared facilities will be contingent upon the timing and pattern of development within the Gateway Village relative to surrounding areas. Because the Rolling Hills neighborhood (CSA 19) is directly adjacent to the planned Gateway Village, the IMP considered how the water and sewer backbone infrastructure might be designed to accommodate serving the CSA 19 area. While such connection would not come without cost, the cost would be proportional to the benefit received. In other words, existing Rolling Hills residents would not be subsidizing new Gateway Village development, nor would new development be paying 100 percent of the cost to connect Rolling Hills residents to a water and sewer infrastructure system that they constructed.

7.6 Opportunities for Rate Restructuring

Because authorized services are not being provided at this time, there is no reason to examine opportunities for rate restructuring. As mentioned previously, if RCWD infrastructure eventually connected and served CSA 19 residents, the water and sewer rate structure would reflect that condition and may result in lower rates for CSA 19 residents.

7.7 Governance

RCWD is an independent special district organized under the California Water District Law. As an independent special district, RCWD has its own board of directors that meet to set the policy direction of the District. Based on self-reported information, it appears that the District maintains its financial and other records and conducts its required meetings in compliance with applicable laws governing public agencies.

RCWD is an independent District governed by a Board consisting of seven members that are elected by the land owners within the District. The Board meets at its District office. The regular meeting is scheduled for 2:00pm on the second Tuesday of the month. The District's consulting engineer also acts as its General Manager.

Given the planned urban nature of the Gateway Village project, future residents and employees will demand urban levels of law enforcement, fire protection, parks and recreation, roadway and street light maintenance services. Because California Water Districts are limited to providing water, sewer, and storm drainage/flood control services, other necessary municipal services will need to be provided by another special district that can provide those services.

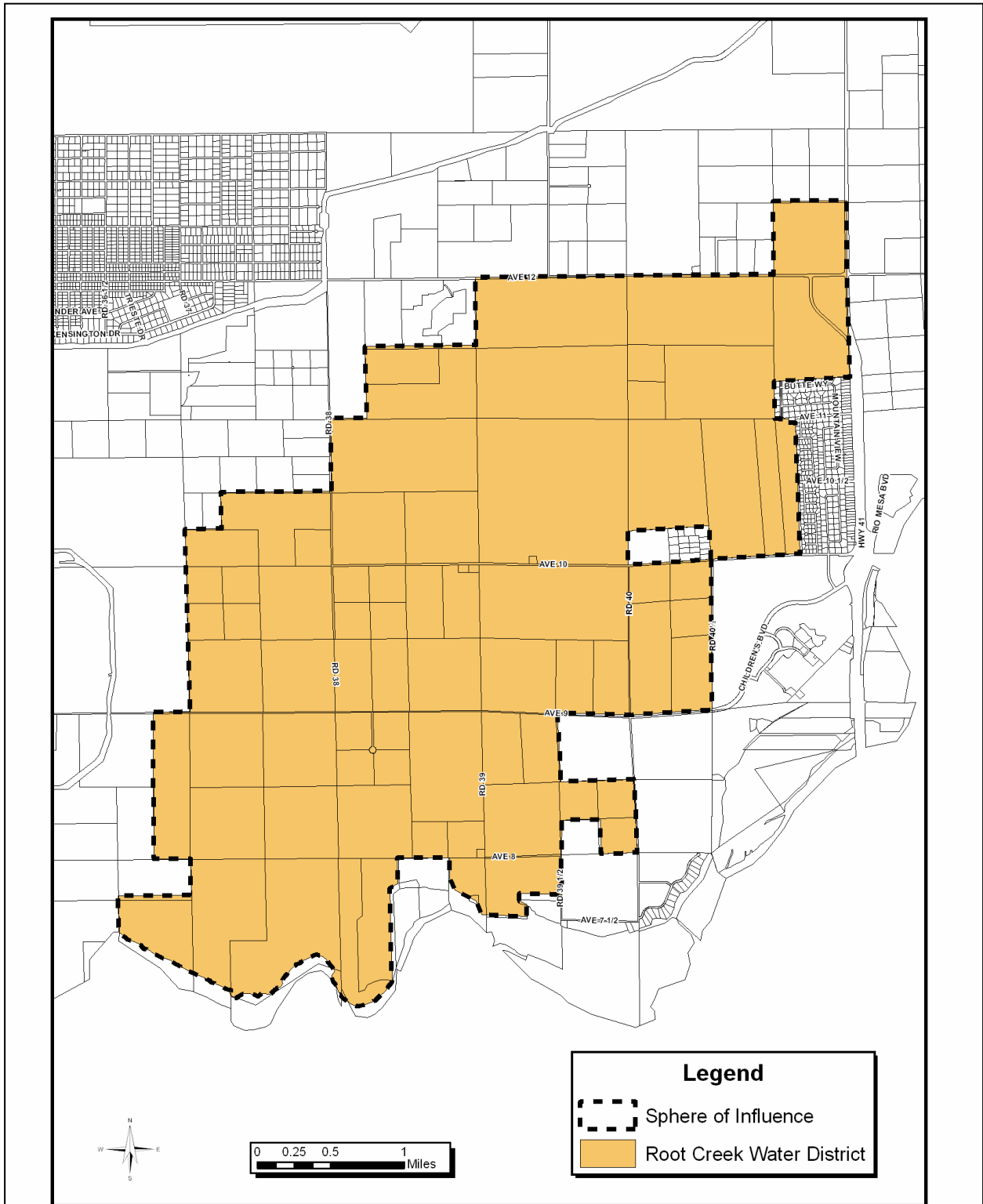
Various planning documents (Environmental Impact Reports, Infrastructure Master Plan, Development Agreement) have discussed alternative service providers for certain municipal services within the Gateway Village project. The most recent was a development agreement between Madera County and Castle & Cooke Madera Properties, LLC, which was made in September 2007. Castle & Cooke Madera Properties, LLC is the developer of the approved, but

yet undeveloped, Gateway Village project. In this agreement, the County and the developer agreed that RCWD would provide water, sewer, and storm water collection services to the properties within Gateway Village. It was also agreed that either the properties should be annexed into CSA 22 or that another district should be formed to provide the other necessary urban services; specifically police and fire protection, street lighting, and road maintenance. Neither of these reorganizations has occurred. LAFCo staff does not believe that this agreement limits LAFCo powers to approve reorganizations that might be different from the agreement as long as at least the seven municipal services stated above are authorized services in whatever district(s) LAFCo ultimately decides upon.

As was stated in the introduction to this MSR, the Cortese-Knox-Hertzburg Act has an assumed preference that municipal services be provided by a single multipurpose agency rather than separate multiple agencies. In this particular case in the greater Rio Mesa area, Madera County has planned enough land for urban development to assume that the area will likely incorporate into a city at some time in the future. Moving toward a single special district for provision of services would be the first step toward future city incorporation.

At the same time, RCWD has been successful to this point in obtaining water rights to provide water to the planned urban areas in the District as well as to the agricultural lands in the District. Therefore, it may appropriate to keep the District in place as the provider of water. LAFCo could set as its policy that while it prefers to have CSA 22 be the single provider of all other services in the area, it will allow RCWD to remain in place as the provider of water for the area in the short term. Further study would be needed to determine how water would be distributed, either by RCWD or by CSA 22 after they purchase the water from RCWD. Furthermore, the District, through its legal counsel, has declared its willingness to consolidate with CSA 22, or its successor, at such time as the need for urban services within the majority of the area becomes apparent (Appendix C).

The way to adopt such a policy would be include territory in both CSA 22 sphere of influence and in RCWD's sphere of influence. Through this set of actions, LAFCo would be stating its intent that CSA 22 be the ultimate, single service provider for the area, and also recognize and not interfere with RCWD's current moves to establish a reliable source of water for the territory.

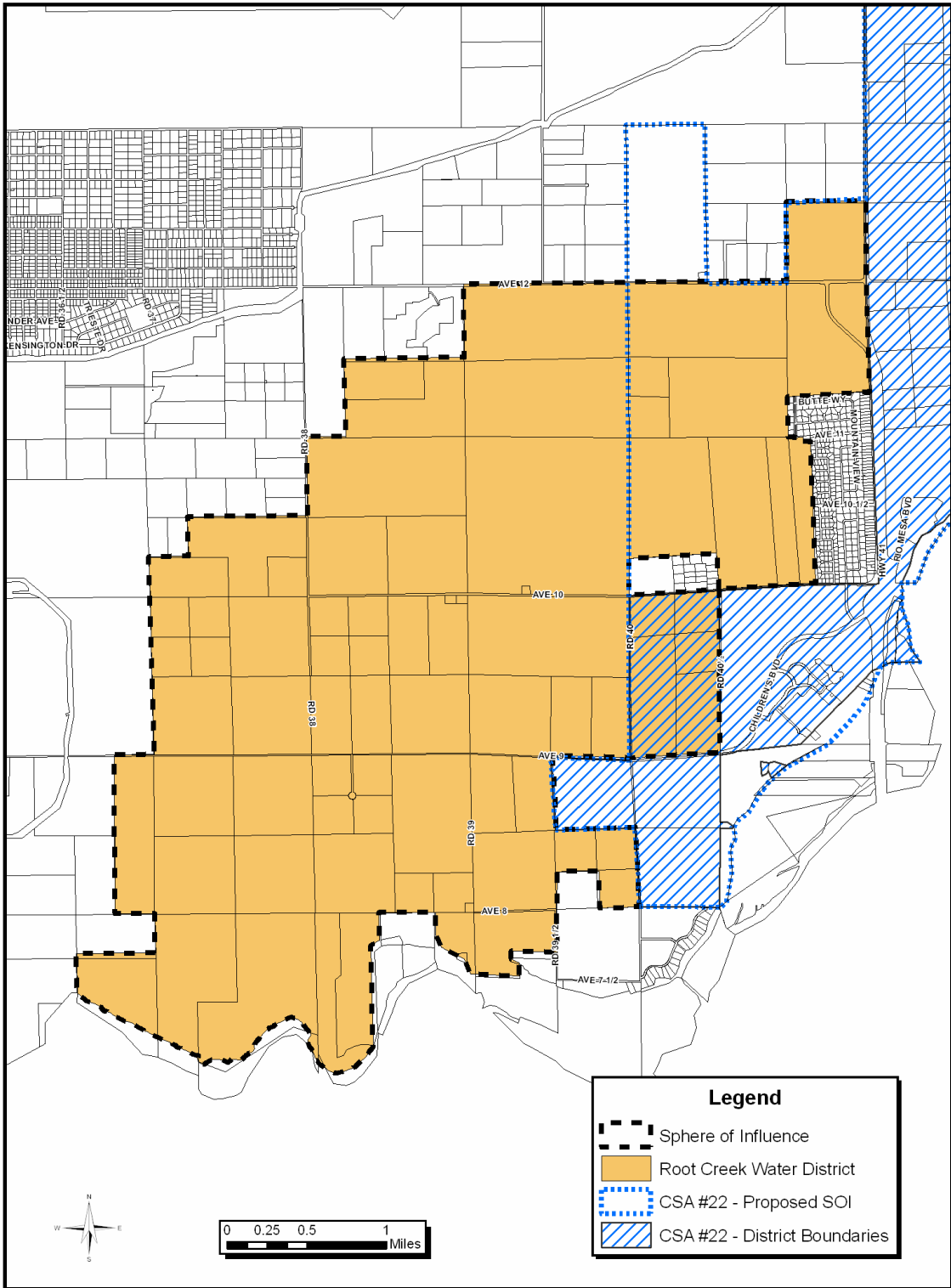


Source: Madera LAFCo, November 2009



**ROOT CREEK WATER DISTRICT TERRITORY
AND SPHERE OF INFLUENCE**

**Figure
7-1**



Source: Madera LAFCo, November 2009



RECOMMENDED SPHERE OF INFLUENCE CHANGE FOR ROOT CREEK WATER DISTRICT

Figure
7-2

7.8 Root Creek Water District Determinations

Determination 7.1 - Root Creek Water District is authorized to provide for the provision of water. These services are currently being provided through the District via its efforts to obtain and maintain water rights for the territory. Any other services, including the distribution of water, would be required to be authorized by LAFCo before they can be provided.

Determination 7.2 - Root Creek Water District's rate structure is adequate for its current efforts to obtain and maintain water rights.

Determination 7.3 - Because of its status as a water district, Root Creek Water District is not able by law to provide the full range of services that will eventually be needed within its territory and in the greater Rio Mesa area.

Determination 7.4 - To further LAFCo's goal of moving toward a single service provider for the Rio Mesa area, while at the same time recognizing Root Creek Water District's current efforts to obtain and maintain water rights for the territory, LAFCo prefers that CSA 22 eventually be the single service provider, while leaving open the possibility of RCWD's potential for providing some services in the area in the short term.

Determination 7.5 - Root Creek Water District has provided a valuable service in establishing the basis of water service in the area. The Governing Board of the RCWD has declared willingness to consolidate with CSA 22 at such time as the need for urban services within the majority of the area becomes apparent through the adoption of plans for urban development.

7.9 Root Creek Water District Recommendations

Recommendation 7.1 - Direct the Executive Officer to continue discussions with the Board of Directors of the Root Creek Water District regarding the timing of an application to consolidate RCWD with CSA 22.

SECTION 8.0 MAINTENANCE DISTRICT 14

8.1 Introduction

Maintenance District 14 (MD 14) is not a special district, as defined by the CKH Act, and is therefore not subject to LAFCo jurisdiction; however, all districts providing a municipal service may be studied during the MSR process in order to evaluate all available service providers in the study area. MD 14 was established by the County for the purpose of allocating a portion of the County property tax to the on-going maintenance of streets within the District. It provides a structure to maintain streets within the District from a separately maintained account. In this sense it is more similar to a Landscape and Lighting District or a Community Facilities District, which are also not under LAFCo jurisdiction and are administered by the County or City in which they are located. Maintenance districts may also provide water, sewer, or street lighting services if properly authorized by the County Board of Supervisors.

MD 14 contains the existing residential neighborhood known as Bonadelle Ranchos #9. MD 14 was founded on August 4, 1964. The neighborhood currently contains 183 parcels and 3.9 miles of paved public roadways. All roadways are considered to be local streets. MD 14 provides road maintenance services for the roadways within the District's territory. All lots within the territory provide have their own private water wells and septic tank/leach field systems. See Figure 8-1 for the District's territory. MD 14 has no SOI because it is not a special district as defined by CKH Act.

MD 14 is governed and administered by the Madera County Board of Supervisors, which has the power to establish or dissolve it without LAFCo approval. The County Assistant Road Commissioner and the County's Special District Road Manager manage the District's operations.

8.2 Existing Facilities and Assets

There are no assets owned by the District per se; the District maintains County roadways. Maintenance and repair is typically provided on an as-needed basis through a system of requests and work orders.

8.3 Plans for Future Services

There are no plans for additional services or expansion of the District into new developing areas.

8.4 Financial Ability to Provide Services

MD 14 receives a dedicated share of the one percent property tax. Table 8-1 shows a summary of the MD 14 budget for FY 2008/09. Annually property tax totals approximately \$40,000. The only other source of income beyond property tax revenue is interest income on cash reserves. Presently, MD 14 has approximately \$500,000 in cash reserves in its account. Given the periodic nature of road maintenance and rehabilitation, the existence of a large cash balance is not surprising. Aside from routine annual maintenance and pothole repair, MD 14 would need to

build cash reserves in order to fund semi-periodic roadway chip seals or overlays. For example, the FY 2009/10 budget shows a \$250,000 expenditure anticipated for roadway maintenance. The financial accounting for the District, which is prepared by Madera County, appears to be compliant with applicable laws governing public agencies.

**Table 8-1
Maintenance District 14 Budget**

District Name	Maintenance District 14 (MD 14)		
General Description	Road Maintenance: Maintains County roadways.		
Share of 1% Property Tax	<u>0.000319261</u> (FY 2009/10)		
Budget Info:			
	<i>Total</i>	<i>Percent</i>	
Revenues	<u><i>FY 2008/09</i></u>	<u><i>of Cost</i></u>	
Property Taxes	\$40,925	77.0%	
Assessments	\$0	0.0%	
Special Taxes	\$0	0.0%	
User Fees	\$0	0.0%	
Transfers In	\$0	0.0%	
Other revenues	\$12,240	23.0%	
TOTAL	\$53,165	100.0%	
	<i>Total</i>	<i>Percent</i>	
Expenditures	<u><i>FY 2008/09</i></u>	<u><i>of Cost</i></u>	
Management	\$1,401	4.3%	
Service and Supplies	\$30,946	95.7%	
Utilities	\$0	0.0%	
TOTAL	\$32,347	100.0%	
Fund Balance [1]:	<u>\$502,415</u>		
Bonded Indebtedness:	<u>n/a</u>		

"md14"

[1] Fund balance represents an accumulated fund balance that carries forward in each fiscal year and reflects any difference between revenues and expenditures in any given year.

Source: EPS, November 2009

8.5 Facilities and Opportunities for Shared Facilities

Because MD 14's services are limited to local roadway maintenance, there is not a need for or potential benefit from shared facilities. According to County Resources Management Agency staff, the annual budget for roadway maintenance is adequate to provide authorized services.

As other lands in the Rio Mesa area develop, the demand for other urban services, such as increased police and fire protection, park services, and street sweeping may increase. Newly developed areas will be providing these services, resulting in this neighborhood having access to fewer services. There will likely be a need to include this territory in whatever jurisdiction will be providing the full range of urban services to the region. MD 14 cannot provide any other services besides road maintenance. Therefore, another district would need to be established to provide other urban services.

8.6 Opportunities for Rate Restructuring

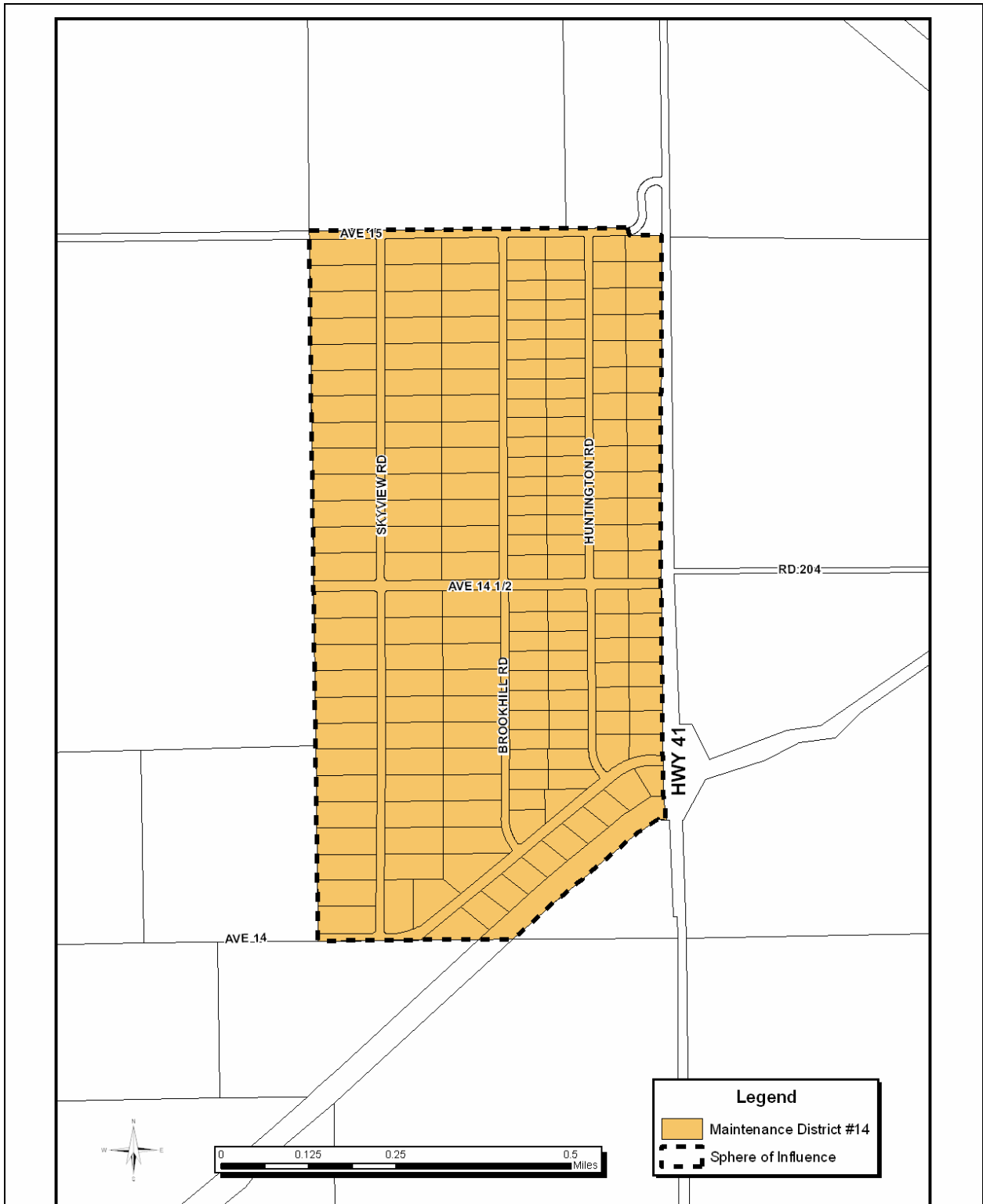
There are no rates, fees or assessments paid by residents in this area, besides the dedicated share of the one percent property tax. Consequently, there are not opportunities for rate restructuring.

8.7 Governance

MD 14 is not a special district, as defined by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, and is not subject to LAFCo jurisdiction; however, all districts providing a municipal service may be studied during the MSR process in order to evaluate all available providers in the study area. Staff from Madera County Resources Management Agency operates and maintains roadways within the MD 14 boundaries. Based on self-reported information, it appears that the District maintains its financial and other records and conducts its required meetings in compliance with applicable laws governing public agencies.

As an urbanized area, it is likely that the demand for municipal services will grow as urban development occurs around the existing Bonadelle Ranchos #9 neighborhood. Another special district would be needed to provide the other urban services that this territory will likely demand in the future.

MD 14 is adjacent to the larger CSA 22. The goals of sharing infrastructure with future nearby development and of having a single governmental structure would be aided by combining MD 14 with CSA 22. The territory of MD 14 could be established as a Zone of Benefit within CSA 22. This would combine the area into one government entity, but allow the Bonadelle Ranchos #9 neighborhood to retain separate rate structures and levels of service. Figure 9-2 illustrates this option.

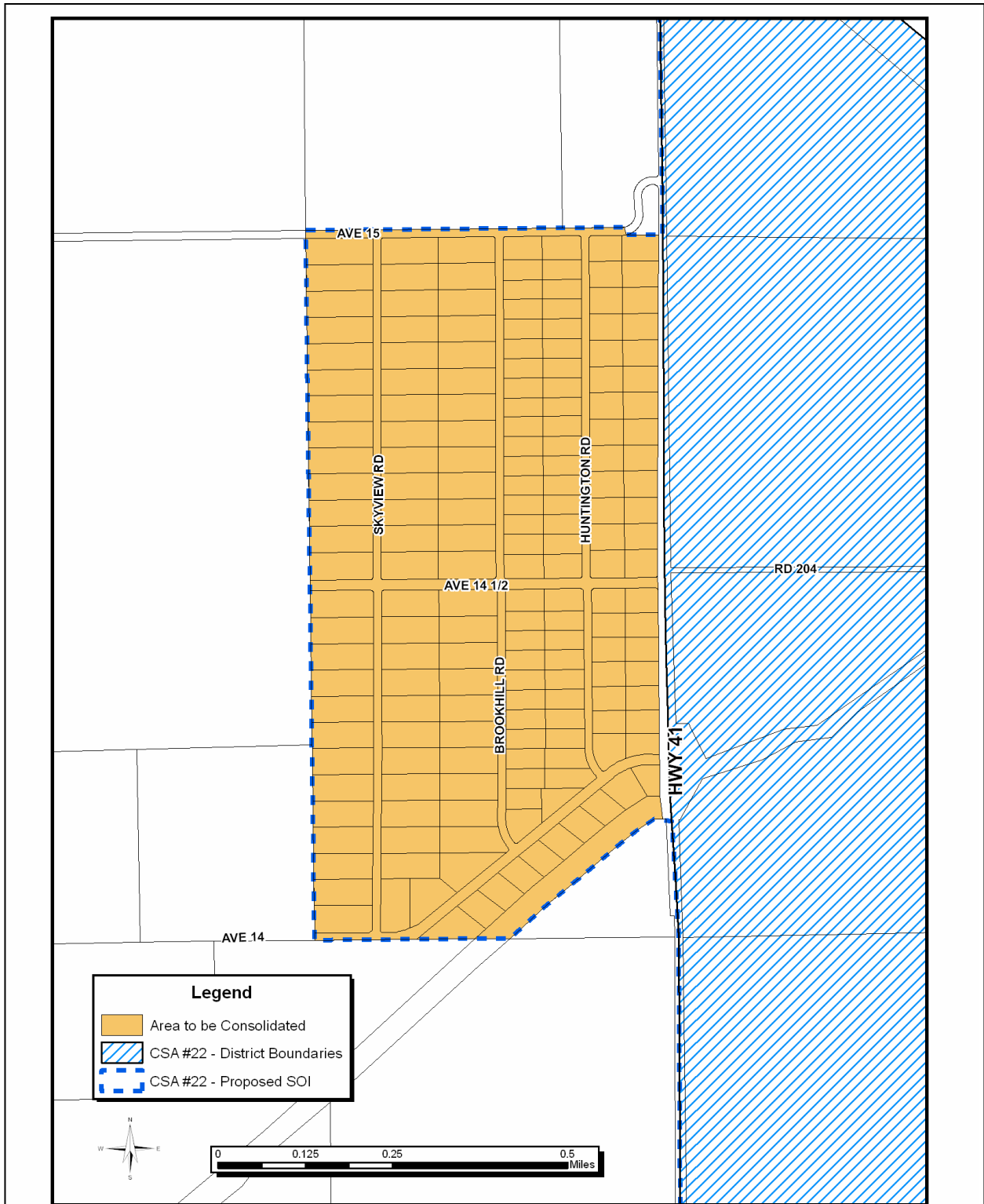


Source: Madera LAFCo, November 2009



MAINTENANCE DISTRICT 14 TERRITORY

Figure 8-1



Source: Madera LAFCo, November 2009



**RECOMMENDED CONSOLIDATION OF
MAINTENANCE DISTRICT 14 WITH CSA 22**

**Figure
8-2**

LAFCo cannot approve consolidation of the two districts. MD 14 would need to be dissolved by Madera County, and the territory simultaneously annexed to CSA 22 by LAFCo. The recommended process would be to first amend CSA 22's SOI by expanding it to include the Bonadelle Ranchos #9 neighborhood. See Figure 5-2 for all the recommended changes to CSA 22. This would establish LAFCo's long term plan for the districts. Next, neighborhood meetings would be held to receive input from the residents about a proposed change of organization. After hearing the results of the neighborhood meeting, both LAFCo and the Board of Supervisors could decide when and if either of them wants to initiate proceedings to simultaneously dissolve the MD 14 and annex the territory to CSA 22.

8.8 Maintenance District 14 Determinations

Determination 8.1 - Maintenance District 14 is not a special district, as defined by the Cortese-Knox-Hertzburg Act, and is not subject to LAFCo jurisdiction. The District currently provides a dedicated funding source for local road maintenance within the territory.

Determination 8.2 - Maintenance District 14's rate structure is adequate for its purpose of maintaining streets.

Determination 8.3 - As the greater Rio Mesa area develops from a mostly rural to a mostly urban area, the demand for municipal services will increase within MD 14. There will eventually be need for improved police and fire protection, and the residents within MD 14 will want to utilize the public facilities, such as parks, and possibly provide for public sewer and water systems. Annexation of the area into CSA 22 will allow its residents to participate in the sharing of costs and benefits of these community facilities.

Determination 8.4 - To further LAFCo's goal of moving toward a single service provider for the Rio Mesa area, the area within Maintenance District 14 can be annexed to the larger County Service Area 22, with a simultaneous dissolution of MD 14. The first step in this process would be to include its territory in CSA 22's SOI. By this change, LAFCo will be making a policy statement in support of a long term plan for CSA 22 to be the single municipal service provider in the area.

8.9 Maintenance District 14 Recommendations

Recommendation 8.1 - Direct the Executive Officer to begin discussions with the residents within MD 14 regarding the potential consolidation of MD 14 with CSA 22.

Recommendation 8.2 - Direct the Executive Officer to begin discussions with the County of Madera to encourage the annexation of Maintenance District 14 to the larger County Service Area 22 with a simultaneous dissolution of MD 14

SECTION 9.0 MAINTENANCE DISTRICT 57

9.1 Introduction

Maintenance District 57 (MD 57) is also not a special district, as defined by the CKH Act, and is not subject to LAFCo jurisdiction; however, as with MD 14, all districts providing a municipal service may be studied during the MSR process in order to evaluate all available providers in the study area. MD 57 was established by the County for the purpose of providing a funding source for the on-going maintenance of streets within the District.

MD 57 contains a partially developed, service commercial / light industrial development. It was founded on March 17, 1992. The development currently contains 18 parcels and 0.52 miles of paved public roadways. All roadways are considered to be local streets. MD 57 provides road maintenance services for the roadways within the District's territory. All lots within the territory provide their own private water wells and septic tank/leach field systems. There are no registered voters within the District. See Figure 9-1 for the District's territory. There is no adopted SOI since the District is not a special district, as defined by CKH Act.

MD 57 is administered by the Madera County Board of Supervisors, which has the power to establish or dissolve it without LAFCo approval. The County's Assistant Road Commissioner and the County's Special District Road Manager manage the District's operations.

9.2 Existing Facilities and Assets

There are no assets owned by the District per se; the District maintains County roadways. Maintenance and repair is typically provided on an as-needed basis through a system of requests and work orders.

9.3 Plans for Future Services

The District is within the area of the approved Gateway Village Plan, which has planned to provide water, sewer, storm water collection, police and fire protection, and road and lighting maintenance through a combination of the RCWD and CSA 22, or by alternate means.

As other lands in the Rio Mesa area develop, the demand for other urban services, such water distribution, sewer collection and disposal, increased police and fire protection, park services, and street sweeping may increase. MD 57 is only allowed to provide road maintenance services. Newly developed areas will be provided these services, resulting in this neighborhood having access to fewer services than surrounding areas. There will likely be a need to include this territory in whatever jurisdiction will be providing the full range of urban services to the region.

9.4 Financial Ability to Provide Services

MD 57 is funded by a yearly assessment of \$100 per year per each of the 18 parcels, resulting in a yearly annual income of \$1,800. Table 9-1 shows a summary of the MD 57 budget for

FY 2008/09. The only other source of income is interest income on cash reserves. Presently, MD 57 has approximately \$16,000 in cash reserves in its account. Aside from routine annual maintenance and pothole repair, MD 57 would need to build cash reserves in order to fund semi-periodic roadway chip seals or overlays. For example, the FY 2009/10 budget shows expenditures for anticipated roadway maintenance that would bring the cash reserve balance to zero by the end of FY 2009/10. The financial accounting for the District, which is prepared by Madera County, appears to be compliant with applicable laws governing public agencies.

**Table 9-1
Maintenance District 57 Budget**

District Name	Maintenance District 57 (MD 57)	
General Description	Road Maintenance: Maintains District roadways.	
Share of 1% Property Tax	<u>n/a</u>	
Budget Info:		
	<i>Total</i>	<i>Percent</i>
Revenues	<u><i>FY 2008/09</i></u>	<u><i>of Cost</i></u>
Property Taxes	\$0	0.0%
Assessments	\$1,750	83.9%
Special Taxes	\$0	0.0%
User Fees	\$0	0.0%
Transfers In	\$0	0.0%
Other revenues	\$336	16.1%
TOTAL	\$2,086	100.0%
	<i>Total</i>	<i>Percent</i>
Expenditures	<u><i>FY 2008/09</i></u>	<u><i>of Cost</i></u>
Management	\$26	100.0%
Service and Supplies	\$0	0.0%
Utilities	\$0	0.0%
TOTAL	\$26	100.0%
Fund Balance [1] [2]:	<u>\$15,641</u>	
Bonded Indebtedness:	<u>n/a</u>	

"md57"

- [1] Fund balance represents an accumulated fund balance that carries forward in each fiscal year and reflects any difference between revenues and expenditures in any given year.
- [2] For FY 2009/10, the budget recommends \$9,500 in road maintenance with all remaining funds appropriated for contingencies (approx. \$7,300). As recommended the FY 2009/10 ending fund balance will be zero.

Source: EPS, November 2009

9.5 Facilities and Opportunities for Shared Facilities

Because MD 57's services are limited to local roadway maintenance, there is not a need for or potential benefit from shared facilities. According to County Resources Management Agency staff, the annual budget for roadway maintenance is adequate to provide authorized services.

9.6 Opportunities for Rate Restructuring

According to County staff operating the District, the assessments have been adequately covering the cost of the maintenance of the roadways within the District. There does not appear to be a need for rate restructuring.

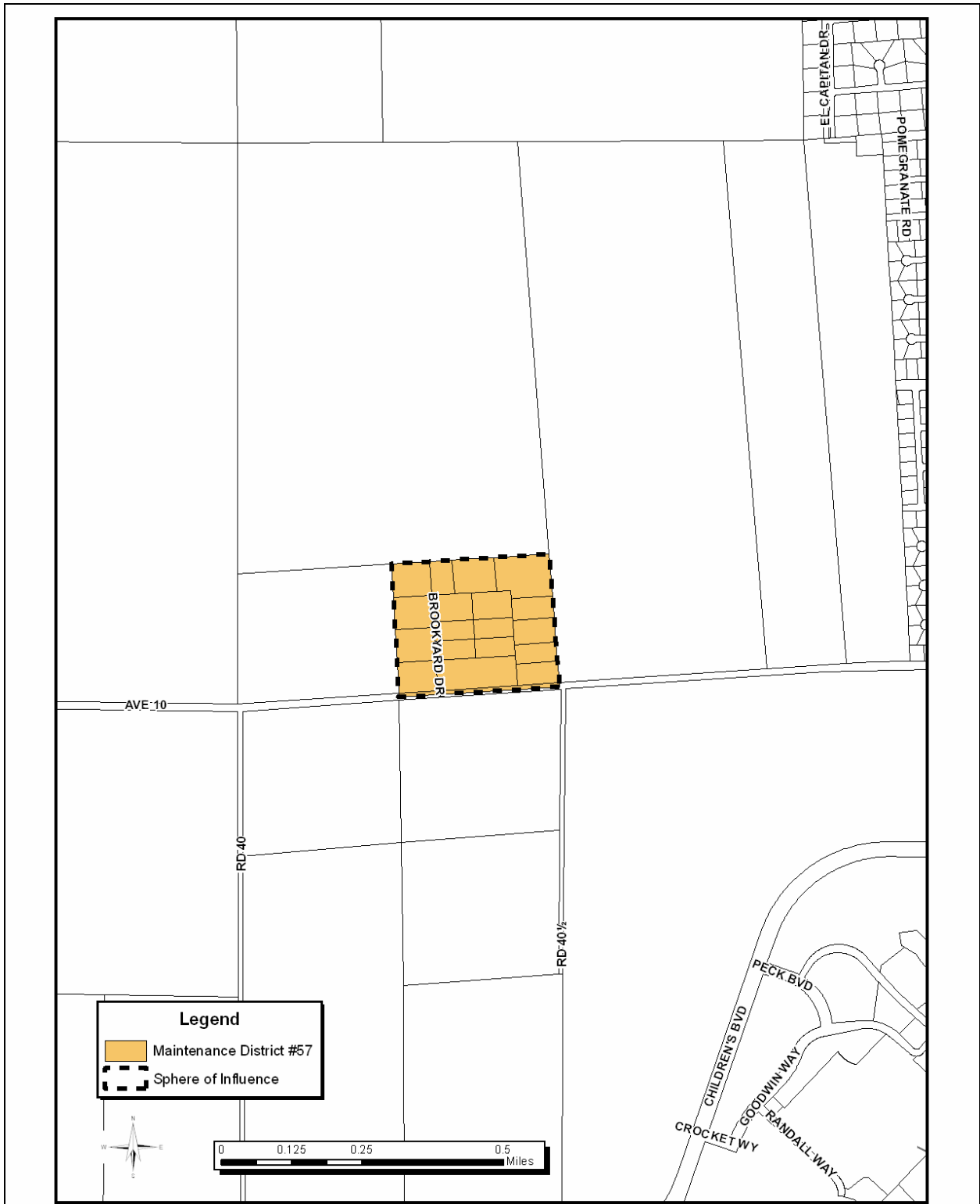
9.7 Governance

MD 57 is not a special district, as defined by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, and is not subject to LAFCo jurisdiction; however, all districts providing a municipal service may be studied during the MSR process in order to evaluate all available providers in the study area. Staff from Madera County Resources Management Agency operates and maintains roadways within the MD 57 boundaries. Based on self-reported information, it appears that the district maintains its financial and other records and conducts its required meetings in compliance with applicable laws governing public agencies.

As an urbanized area, it is likely that the demand for municipal services will grow as urban development occurs around the existing industrial neighborhood. Another special district would be needed to provide the other urban services that this territory will likely demand in the future.

MD 57 is adjacent to the larger CSA 22. The goals of sharing infrastructure with future nearby development and of having a single governmental structure would be aided by replacing MD 57 with CSA 22. The territory of MD 57 could be established as a Zone of Benefit within CSA 22. This would combine the area into one government entity, but allow the industrial neighborhood to retain separate rate structures and levels of service. Figure 9-2 illustrates this option.

LAFCo cannot approve consolidation of the two districts. MD 57 would need to be dissolved by Madera County and the territory simultaneously annexed to CSA 22 by LAFCo. The recommended process would be to first amend CSA 22's SOI by expanding it to include the industrial neighborhood. This would establish LAFCo's long term plan for the Districts. See Figure 5-2 for all of the recommended changes CSA's SOI. Next, neighborhood meetings would be held to receive input from the property owners about a proposed change of organization. After hearing the results of the neighborhood meeting, both LAFCo and the Board of Supervisors could decide when, and if, either of them wants to initiate proceedings to simultaneously dissolve the MD 57 and annex the territory to CSA 22.

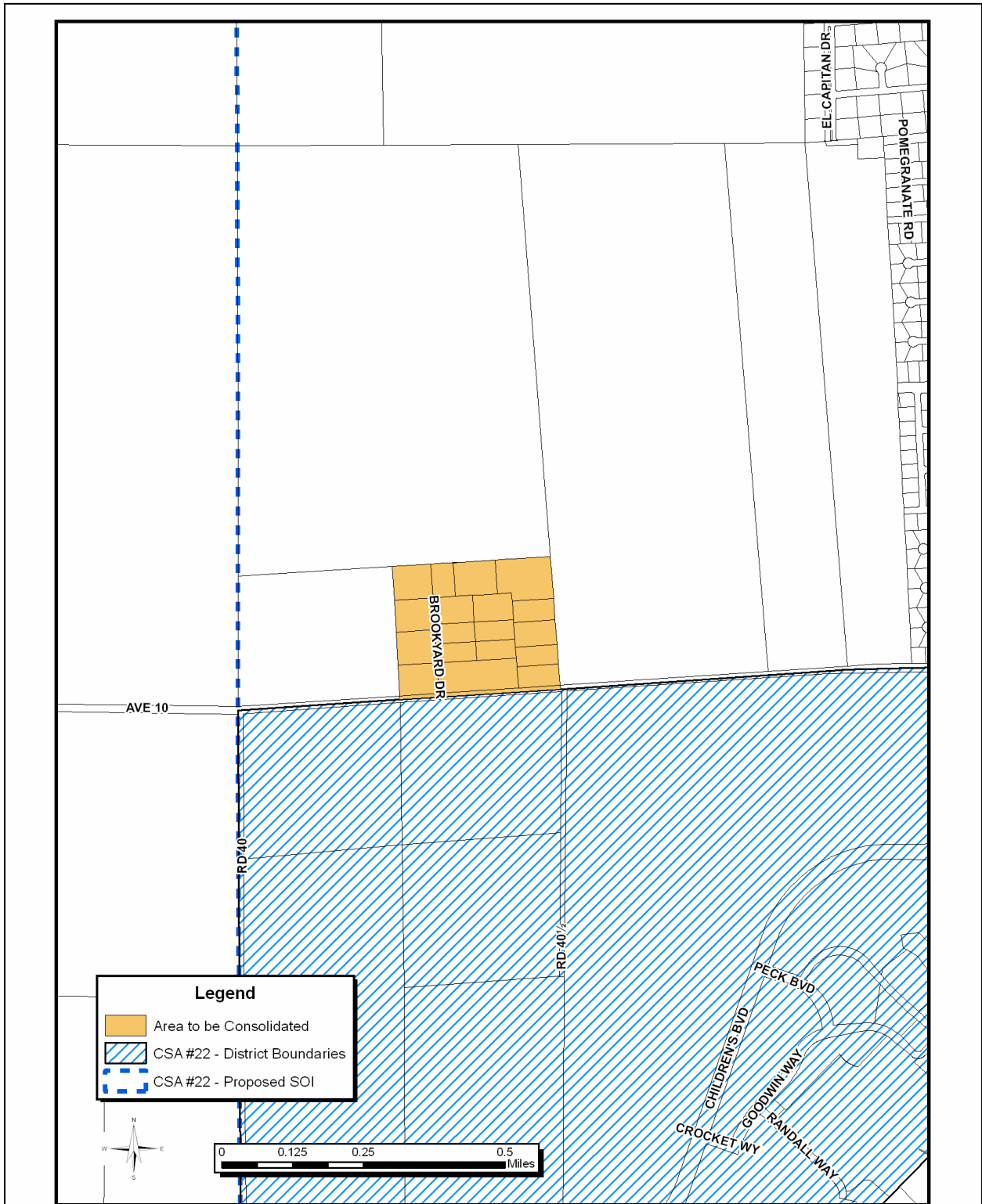


Source: Madera LAFCo, November 2009




MAINTENANCE DISTRICT 57 TERRITORY

Figure 9-1



Source: Madera LAFCo, November 2009

 <p>Quad Knopf</p>	<p>RECOMMENDED CONSOLIDATION OF MAINTENANCE DISTRICT 57 WITH CSA 22</p>	<p>Figure 9-2</p>
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9.8 Maintenance District 57 Determinations

Determination 9.1 - Maintenance District 57 is not a special district, as defined by the Cortese-Knox-Hertzburg Act, and is not subject to LAFCo jurisdiction. The District currently provides a dedicated funding source for local road maintenance within the territory.

Determination 9.2 - Maintenance District 57's rate structure is adequate for its purpose of maintaining streets.

Determination 9.3 - As the greater Rio Mesa area develops from a mostly rural to a mostly urban area, the demand for municipal services will increase within MD 57. There will eventually be need for improved police and fire protection, and the residents within MD 57 will want to utilize the public facilities, like parks, and possibly provide for public sewer and water systems. Annexation of the area into CSA 22 will allow its residents to participate in the sharing of costs and benefits of these community facilities.

Determination 9.4 - To further LAFCo's goal of moving toward a single service provider for the Rio Mesa area, the area within Maintenance District 57 can be annexed to the larger County Service Area 22, with a simultaneous dissolution of MD 57. The first step in this process would be to include its territory in CSA 22's SOI. By this change, LAFCo will be making a policy statement in support of a long term plan for CSA 22 to be the single municipal service provider in the area.

9.9 Maintenance District 57 Recommendations

Recommendation 9.1 - Direct the Executive Officer to begin discussions with the property owners within MD 57 regarding the potential consolidation of MD 57 with CSA 22.

Recommendation 9.2 - Direct the Executive Officer to begin discussions with the County of Madera to encourage the annexation of Maintenance District 57 to the larger County Service Area 22 with a simultaneous dissolution of MD 57.

APPENDIX A - CASE STUDIES

Case Studies

Economic & Planning Systems (EPS) conducted a number of telephone interviews with other LAFCos and counties that have experienced significant levels of growth in unincorporated areas. Interviews focused on the following aspects of managing urban services:

- County management structure (and associated administrative costs) for CSAs.
- Preferred CSA-management conditions.
- Citizen reaction to participating in a CSA or CSD.
- Transition from a CSA or CSD to incorporation and from a CSA to a CSD.
- Transition in a CSD from an appointed board to an elected board.

Riverside County, San Bernardino County, Orange County, San Joaquin County, and San Diego County have all approved development in unincorporated areas that have required CSAs or CSDs to manage and deliver urban services.

Riverside County: 57 Active CSAs Managed by Economic Development

Riverside County has a limited number of CSDs and relies predominantly on CSAs. Historically, the CSAs have been somewhat inconsistent, resulting in situations in which neighboring Landscaping and Lighting Districts (LLDs) pay different rates for the same services. Riverside County has experienced some difficulties with CSAs (including the voting out of CSA assessments that occurred in the 1990s). Currently, the County has 57 active CSAs, only one of which is countywide; the rest serve smaller, specific areas.

CSAs in Riverside County were originally run out of the County Executive Office, with 22 Advisory Boards helping the Board of Supervisors to manage the CSAs.¹ Two years ago, the Economic Development Agency (EDA) was chosen to manage Riverside County's 57 CSAs, largely because this department already had a staff connected to the various communities. EDA currently has a staff of roughly 40 people designated for work on CSAs, including Parks/Community Center staff and personnel required to run two sewer systems.

Each CSA budget is independently organized, and administrative costs associated with the management of CSAs are estimated at 4 to 8 percent, depending on the nature of services provided:

<u>Service</u>	<u>Admin. Cost</u>	<u>Rationale/Assumptions</u>
Street lighting	4.0%	Contract service only
Multiple service	6.5%	No employees needed
Multiple services	8.0%	Employees required

¹ Special districts in Riverside County are managed by two different departments. The CFD/Assessment District Administration Department, staffed by four people, manages 27 assessment districts and CFDs.

Staff is paid through CSA assessments.

While the CSA is not set up to encourage incorporation, should a CSA choose to examine the possibility of incorporating, EDA would be able to supply cost information as needed.

CSA management requires service delivery and requires corresponding skills. For this reason, high quality staff is crucial. Effective use of a Board is also important; in Riverside County, a Board is used as a marketing tool, to garner support for new or increased assessments. Finally, EDA makes an effort to coordinate with the Planning Agency to effectively facilitate new service provision.

San Bernardino County: Using a Master CSA

In 1980, San Bernardino County consolidated all of its existing CSAs into one large CSA. Since then, new requests for additional territory have been incorporated into the one CSA as a new improvement zone. The consolidation of CSAs would require LAFCo approval. The addition of new territory to a single, large CSA would be processed as an annexation.

The single-CSA in San Bernardino County is administered by the San Bernardino County Department of Special Districts. This department includes special districts and the San Bernardino County Fire Department. Special Districts staff numbers 20 to 25, of which eight are regional managers/field staff, (liaisons between operations and administration), 10 day-to-day office staff, and one Information Services staff person.

Administrative costs are added to CSA costs. Administrative costs are estimated at roughly seven percent for the Department of Special Districts, not including additional costs for general county services (e.g., legal, controller).

While several older CSAs have transitioned to a CSD or city, these transitions occurred in the late 1960s and are not representative of how such transitions would occur today. One major difficulty today facing such a transition focuses on the administrative aspect of transferring employees—retirement, pay scale, and contracts. These types of transfers can be complicated and cumbersome.

San Diego County: Discouraging New Growth outside Spheres of Influence

San Diego County created several CSAs and CSDs more than 20 years ago. Created to improve certain roads to a level higher than San Diego County standard, the CSAs funded these improvements. After completing payments for the improvements, the CSAs were dissolved and the roads incorporated into the San Diego County road program. CSDs in San Diego were created several years ago and are primarily designed to provide water service. Presently, San Diego County is discouraging all new special districts unless the district is located in a SOI that will eventually be annexed into a city.

Remaining CSAs in San Diego County are managed by the department that provides the most services to the CSA: e.g., Public Works for road CSAs, Parks for the parks CSA.

Orange County: Considering Governance Options

Orange County is considering the approval of Rancho Mission Viejo, a proposed project with 14,000 units and 23,000 acres of land. EPS is working with the County to determine how municipal services could be provided to the project area as it develops and matures as a community. All the project proponents are mutually interested in minimizing Orange County's role as a municipal service provider, in part to encourage and allow for eventual incorporation.

San Joaquin County: Using a Master CSD for One Large Development

Mountain House is a large-scale development (with over 16,000 units and 4,800 acres) in San Joaquin County. The developers of Mountain House sought more control over the delivery of urban services and chose to create a CSD instead of a CSA.

The Mountain House CSD involved special legislation that gave the CSD extended powers and different governing provisions. From San Joaquin County's perspective, the Mountain House CSD Manager was strong in public utilities (sewer, water), but not necessarily strong in the full range of services provided by the CSD. It was suggested to EPS that an administrator with management experience is key to the success of urban service delivery. In addition, the Mountain House CSD was initiated with strong developer control. This dynamic led to several conflicts between San Joaquin County and the CSD over developing the project.

APPENDIX B – GLOSSARY

TERM	DEFINITION
Annexation	The annexation, inclusion, attachment, or addition of territory to a city or district.
Board of Directors	The legislative body or governing board of a district.
City	Any charter or general law city, including any city the name of which includes the word "town."
Consolidation	The uniting or joining of two or more cities located in the same county into a single new successor city or two or more districts into a single new successor district.
Cortese Knox Hertzburg Act	A California State law found in Section 56000 et seq of the Government Code that establishes procedures for local government changes of organization, including city incorporations, annexations to a city or special district, and city and special district consolidations
Cost avoidance	Actions to eliminate unnecessary costs derived from, but not limited to, duplication of service efforts, higher than necessary administration/operation cost ratios, use of outdated or deteriorating infrastructure and equipment, underutilized equipment or buildings or facilities, overlapping/inefficient service boundaries, inefficient purchasing or budgeting practices, and lack of economies of scale.
CSA	County Service Area
CSD	Community Services District
Detachment	The detachment, deannexation, exclusion, deletion, or removal from a city or district of any portion of the territory of that city or district.
Dissolution	The disincorporation, dissolution, extinguishment, and termination of the existence of a city and the cessation of its corporate powers, except for the purpose of winding up the affairs of the city.
District or special district	An agency of the state, formed pursuant to general law or special act, for the local performance of governmental or proprietary functions within limited boundaries. "District" or "special district" includes a county service area, but does not include maintenance districts.
District of limited powers	An airport district, community services district, municipal utility district, public utilities district, fire protection district, harbor district, port district, recreational harbor district, small craft harbor district, resort improvement district, library district, local hospital district, local health district, municipal improvement district formed pursuant to any special act, municipal water district, police protection district, recreation and park district, garbage disposal district, garbage and

TERM	DEFINITION
	refuse disposal district, sanitary district, or county sanitation district.
Enabling Act	A division of California state law that governs the general provisions, formation, powers, services that can legally be provided, and financing provisions of a particular type of special district.
Feasible	Capable of being accomplished in a successful manner within a reasonable period of time, taking into account economic, legal, social and technological factors.
Formation	The formation, incorporation, organization, or creation of a district.
Function	Any power granted by law to a local agency or a county to provide designated governmental or proprietary services or facilities for the use, benefit, or protection of all persons or property.
FY	Fiscal year
General revenues	Revenues not associated with specific services or retained in an enterprise fund.
Greater Rio Mesa area	A general term describing the lands with existing development or designated for urban development in the area located on both sides Highway 41, between Highway 145 and the San Joaquin River. (See also Rio Mesa Area Plan.)
Incorporation	The incorporation, formation, creation, and establishment of a city with corporate powers. Any area proposed for incorporation as a new city must have at least 500 registered voters residing within the affected area at the time commission proceedings are initiated.
Independent special district	Any special district having a legislative body all of whose members are elected by registered voters or landowners within the district, or whose members are appointed to fixed terms, and excludes any special district having a legislative body consisting, in whole or in part, of ex officio members who are officers of a county or another local agency or who are appointees of those officers other than those who are appointed to fixed terms. "Independent special district" does not include any district excluded from the definition of district, as defined in the Cortese Knox Hertzburg Act.
Infrastructure needs and deficiencies	The term "infrastructure" is defined as public services and facilities, such as water supply systems, other utility systems, and roads (General Plan Guidelines). Any area needing or planned for service must have the infrastructure necessary to support the provision of those services. The term "infrastructure needs and deficiencies" refers to the status of existing and planned infrastructure and its relationship to the quality and levels of service that can or need to be provided.
LAFCo	Local Agency Formation Commission

TERM	DEFINITION
Latent Service	A service that State law authorizes a district to provide, but which has not been authorized to be provided by LAFCo.
Local agency	A city, county, or special district or other public entity, which provides public services.
MD	Maintenance District
Municipal services	The full range of services that a public agency provides, or is authorized to provide. As understood under the CKH Act, this includes all services provided by special districts under California law.
Municipal Service Review	A study and evaluation of municipal service(s) by specific area, sub-region or region culminating in written determinations regarding six specific evaluation categories.
Overlap or Overlapping territory	Territory which is included within the boundaries of two or more districts or within one or more districts and a city or cities.
Principal LAFCo for municipal service review	The LAFCo with the lead responsibility for a municipal service review. Lead responsibility can be determined pursuant to the CKH Act definition of a Principal LAFCo as it applies to government organization or reorganization actions, by negotiation, or by agreement among two or more LAFCos.
PUD	Public Utility District
Public agency	The state or any state agency, board, or commission, any city, county, city and county, special district, or other political subdivision, or any agency, board, or commission of the city, county, city and county, special district, or other political subdivision.
Reorganization	Two or more changes of organization initiated in a single proposal.
Reserve	(1) For governmental type funds, an account used to earmark a portion of fund balance, which is legally or contractually restricted for a specific use or not appropriable for expenditure. (2) For proprietary type/enterprise funds, the portion of retained earnings set aside for specific purposes. Unnecessary reserves are those set aside for purposes that are not well defined or adopted or retained earnings that are not reasonably proportional to annual gross revenues.
Rio Mesa Area Plan	A planning document adopted by Madera County that describes future urban development plans for the territory roughly located east of Highway 41 and south of Highway 145 in Madera County. (See also Greater Rio Mesa area.)

TERM	DEFINITION
Sphere of Influence (SOI)	A plan for the probable physical boundaries and service area of a local agency, as determined by the LAFCo.
Stakeholder	Refers to LAFCOs, members of the public, affected and interested agencies, and other entities interested in, and affected by, service(s) being reviewed.
WD	Water District
"Zero" Sphere (Zero Sphere of Influence)	A sphere of influence that does not include any territory. LAFCo can adopt a "zero" sphere in a case where the plan for the local agency is to consolidate the district with another district or to dissolve the district.
Zone of Benefit	A specific area within the territory of a county service area established by the Board of Supervisors to provide different authorized services, different levels of service, different authorized facilities, or to raise different revenues from the overall territory of the county service area.

APPENDIX C – CORRESPONDENCE

APPENDIX D – RESOLUTIONS