

CONTRA COSTA LOCAL AGENCY FORMATION COMMISSION
EXECUTIVE OFFICER'S REPORT

May 10, 2023
Agenda Item 5

May 10, 2023 (Agenda)

LAFCO 23-01 Dissolution of Knightsen Town Community Services District

APPLICANT Knightsen Town Community Services District (KTCSD)

ACREAGE & LOCATION The KTCSD serves an unincorporated community of 1,600 residents within 8± square miles (Exhibit A) comprised of approximately 600 parcels.

BACKGROUND

The KTCSD was formed in 2005 to provide enhanced flood control and water quality (drainage services) to the Knightsen community. The 2005 ballot measure (Measure Z) that established the KTCSD included a special tax that could not, in the first fiscal year, exceed \$200 for each developed parcel and \$100 for each undeveloped parcel. The KTCSD does not receive any of the 1% ad valorem property tax revenue.

In 2022, the District initiated a feasibility study to assess the ability to provide flood control improvements and services with the existing revenue. The report concluded that projected expenses would exceed revenues, even before any improvements or services were provided. Other challenges the District faces are noted below.

LAFCO reviewed KTCSD in two Municipal Service Reviews (MSRs) in 2008 and 2014. In accordance with MSRs, the Commission adopts required determinations and updates the SOIs for the cities and districts. The determinations cover various issues including growth and population, location and characteristics of disadvantaged unincorporated communities, service and infrastructure needs and capacity, financial ability of agencies to provide services, opportunities for collaboration, and accountability and efficiencies.

The 2008 MSR noted that the District's revenue was derived from an annual parcel tax of \$50 per developed parcel and \$25 per undeveloped parcel. The District's total revenue in 2008 was approximately \$26,775. At that time, the District had a part-time secretary and other expenses including office, insurance, elections, legal, audit, and other administrative expenses. Due to limited funding, the District was unable to prepare a feasibility study and address drainage improvements. The 2008 MSR included two governance options: 1) maintain the status quo, and 2) adopt a zero sphere of influence (SOI) signaling a future dissolution. Given the District was fairly new, LAFCO retained the existing SOI and required an update in one year to include a progress report on development of a facilities improvement plan, a timeline, and potential funding options to implement the plan.

The 2014 MSR noted that KTCSD was working with the East Contra Costa County Habitat Conservancy, and in cooperation with East Bay Regional Park District, to apply for grant funding to acquire land and a bio-filter. The KTCSD engaged a wide range of partners to move this project forward and sought grant funding opportunities, but these actions were unsuccessful. The 2014 MSR noted that the District's revenue, although limited, was sound. The 2014 MSR included three governance options: 1) maintain the status quo, 2) adopt a provisional SOI with annual updates to LAFCO, or 3) dissolve the District and name the County or the Contra Costa Resource Conservation District as successor agency to provide conservation and drainage mitigation programs. The MSR suggested that the KTCSD Board members could be assigned as an advisory body to the successor agency for continuity and to focus on the community issues. The MSR also noted that a new County Service Area could be formed to assume the KTCSD services. The Commission retained the existing SOI and requested annual updates from the District.

DISCUSSION

On February 2, 2023, the KTCSD Board adopted Resolution 2023-1 (Attachment 1) requesting that Contra Costa LAFCO initiate proceeding for dissolution of KTCSD. On February 3, 2023, the District filed an application with LAFCO to dissolve the District as noted in the District's Resolution 2023-1 and as summarized below:

- ✚ The District has limited revenue and does not receive any of the ad-valorem 1% tax
- ✚ The District's feasibility study concluded that projected expenses relating to flood control improvements would exceed KTCSD revenue even before services or improvements were provided
- ✚ The District does not have a sufficient number of residents and a large enough tax base to implement, operate, administer, and maintain enhanced drainage and flood control projects
- ✚ On November 8, 2022, the voters passed Measure R, which repealed the District's special tax
- ✚ During the course of its existence, the District has not initiated, nor completed any projects, and has no intent to initiate or complete any projects, and has no physical assets, no employees, and no liabilities

LAFCO Factors for Consideration - Government Code (GC) §56668 sets forth factors that the Commission must consider in evaluating any change of organization, including dissolution. In the Commission's review and evaluation, no single factor is determinative. In reaching a decision, each is to be evaluated within the context of the overall proposal. These factors are discussed below and in Attachment 2.

Tax Rates, Assessed Value, Assets and Liabilities - The subject area includes 14 tax rate areas. The assessed value for the proposal area is \$174,348,391 (assessed value of land) and the total tax rate base is \$320,674,478. The KTCSD does not receive any of the 1% annual property tax.

Regarding assets and liabilities, the District has no physical assets, no employees, and no liabilities. The District's FY 2022-23 includes \$54,392 in total estimated expenses and zero revenues. The District has \$182,100 in reserves. As noted above, voters have repealed the District's special tax.

Designation of Successor Agency - The Cortese Knox Hertzberg Local Government Reorganization Act of 2000 ("CKH") (GC §56000 et seq.) provides that should LAFCO dissolve a district, it shall identify the effective date of dissolution, designate a successor agency to wind up the affairs of the district, and may apply terms and conditions pursuant to the CKH GC §§57450-57463 and §§56885 – 56890. GC §§57450-57463, relating to the "effect of dissolution," provide specific provisions for determining a successor agency (i.e., city, county, district). Also, §§56886-56890, relating to "terms and conditions," provide LAFCO with authority to designate a successor agency.

KTCSD encompasses the unincorporated Knightsen community. Therefore, Contra Costa County will become the successor agency pursuant to the CKH. Upon the effective date of dissolution, the County will assume control of all assets and liabilities, moneys and funds, including cash on hand and moneys due but uncollected, and all property, real or personal, of the dissolved KTCSD. The County, and its officers and legislative body, will have the same powers as the dissolved district relating to real and personal property, assets and obligations, and legal authority (i.e., settle claims, sue or be sued), and other authority pursuant to statute.

Public Comments – One of the factors the Commission must consider is comments from affected and other local agencies and from landowner or owners, voters, and residents of the affected territory.

As of this writing, LAFCO has received no comments from affected or other local agencies or from members of the public

Commission Proceedings – A dissolution may be initiated by an affected local agency, a petition of landowner or registered voters, or by LAFCO. This application was submitted by the affected local agency.

Before LAFCO can dissolve a district, LAFCO must hold a public hearing on the proposed dissolution. In conjunction with today's hearing, LAFCO published a 1/8-page display ad in the newspaper of general circulation (*East Bay Times*), as required by statute.

Should LAFCO approve dissolution of KTCSD, and should any affected landowner or registered voter object to the dissolution, LAFCO must conduct a protest hearing to allow landowners and voters within the district boundary an opportunity to protest the dissolution. The noticed protest hearing will occur no less than 30 days after the Commission's approval. The Commission delegated authority to the LAFCO Executive Officer to conduct the protest hearing. As of this writing, LAFCO has received no objections from landowners and voters within the District.

Environmental Impact of the Proposal – As Lead Agency, the KTCSD finds the proposal to dissolve the District is exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines section 15061(b)(3). The LAFCO Environmental Coordinator reviewed the document and finds it adequate for LAFCO purposes.

OPTIONS FOR COMMISSION ACTION

After consideration of this report and any testimony or additional materials that are submitted, the Commission should consider approving one of the following options:

- Option 1**
1. APPROVE the dissolution and required findings as proposed pursuant to the following:
 - a. The affected territory is located entirely within an unincorporated area of Contra Costa County.
 - b. The reason for the proposal is to dissolve a district that is financially distressed and essentially inactive.
 2. Designate Contra Costa County as successor agency to KTCSD pursuant to GC section 57451.
 3. Find that the project is Categorical Exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15061(b)(3) based on the determination that there is no possibility that dissolution of KTCSD may have a significant effect on the environment, consistent with the determination of KTCSD.
 4. Find that the subject territory is inhabited, and the proposal may be subject to protest proceedings to be conducted no less than 30 days following the Commission's approval of the proposal.

5. Adopt LAFCO Resolution 23-01 (Attachment 3) approving dissolution of the KTCSD and setting forth the Commission's terms, conditions, findings and determinations.

Option 2 DENY the proposal to dissolve KTCSD and require KTCSD to provide LAFCO with annual updates beginning June 2023 through May 2028, or as otherwise determined by LAFCO. The annual updates should address budget, services, and administration.

Option 3 If the Commission needs more information, CONTINUE this matter to a future meeting.

RECOMMENDATION: Approve Option 1 to dissolve KTCSD and name Contra Costa County as successor agency.

LOU ANN TEXEIRA, EXECUTIVE OFFICER
CONTRA COSTA LOCAL AGENCY FORMATION COMMISSION

Attachments:

1. KTCSD Resolution 2023-01 - Requesting Contra Costa LAFCO Dissolve KTCSD
2. LAFCO Factors for Consideration
3. Draft LAFCO Resolution 23-01 – Approving Dissolution of KTCSD

Exhibits

A. Map of KTCSD

c: Distribution



**KNIGHTSEN TOWN COMMUNITY SERVICES DISTRICT
RESOLUTION 2023 – 1
BEFORE THE BOARD OF DIRECTORS OF THE
KNIGHTSEN TOWN COMMUNITY SERVICES DISTRICT**

Attachment 1

A RESOLUTION OF APPLICATION BY THE BOARD OF DIRECTORS OF THE KNIGHTSEN TOWN COMMUNITY SERVICES DISTRICT REQUESTING THE CONTRA COSTA COUNTY LOCAL AGENCY FORMATION COMMISSION (LAFCO) TO DISSOLVE THE KNIGHTSEN TOWN COMMUNITY SERVICES DISTRICT.

RESOLVED, by the Board of Directors (the "Board") of the Knightsen Town Community Services District (the "District"), that

WHEREAS, the Board desires to initiate proceedings pursuant to the Cortese/Knox/Hertzberg Local Government Reorganization Act of 2000, Division 3, commencing with Section 56000 of the California Government Code, for dissolution of the District; and

WHEREAS, the proposed change of organization includes the following jurisdictional change:

Dissolution of the Knightsen Town Community Services District; and

WHEREAS, a map of the current District territory is attached hereto as Attachment A and by this reference is incorporated herein; and

WHEREAS, the Board has determined that in 2005 a significant number of Knightsen residents voted to establish the District to serve as a barrier to development of Knightsen by the neighboring cities of Oakley and Brentwood; and

WHEREAS, the District has no land use authority and no ability to effectively prevent neighboring cities from seeking to annex and to develop properties within the boundaries of Knightsen; and

WHEREAS, in 2005 LAFCO authorized a ballot measure (Measure Z) to form the District and to impose a Special Tax; and

WHEREAS, the Board has determined that a 2002 Knightsen Water Quality Wetland Feasibility Assessment Report, which was submitted to LAFCO as a basis for the need to form the District, misrepresented how water flows in Knightsen and as such should not have been a consideration with regard to the original formation of the District; and

WHEREAS, the Board has determined that the majority of Knightsen residents do not have significant drainage or flood control problems and will not benefit from the implementation of enhanced drainage and flood control projects; and

WHEREAS, previously, District revenue was derived solely from the Special Tax assessment on approximately 600 parcel owners; and

WHEREAS, the District does not receive any of the 1% ad-valorem property tax revenue; and

WHEREAS, the Board ordered a feasibility analysis to determine whether the District would ever be able to provide flood control improvements or services based on the maximum rate the District could charge for the Special Tax and determined that projected expenses would exceed revenues, even before any improvements or services were provided; and

WHEREAS, the Board has determined that the District does not have a sufficient number of residents and a large enough tax base to implement, operate, administer and maintain enhanced drainage and flood control projects; and

WHEREAS, on November 8, 2022, District voters passed Measure R which repealed the Special Tax; and

WHEREAS, during the course of its existence, the District has not initiated, nor completed any projects and has no intent to initiate or complete any projects, and has no physical assets, no employees and no liabilities; and

WHEREAS, the Board has determined that the proposed change of organization is consistent with the sphere of influence of the District; and

WHEREAS, the Board has, by unanimous resolution, consented to the waiver of conducting authority proceedings.

NOW THEREFORE BE IT RESOLVED, this Resolution of Application is hereby approved and adopted by the Board of Directors of the Knightsen Town Community Services District and the Contra Costa County Local Agency Formation Commission is hereby requested to dissolve the District, including the territory as described in Attachment A and in the manner provided by the Cortese/Knox/Hertzberg Local Government Reorganization Act of 2000.

ON MOTION of Director Gilbert Somerhalder seconded by Director Trish Bello-Kunkel the foregoing resolution was passed and adopted this 2nd day of February, 2023.

AYES: **Director Bello-Kunkel**
 Director Caldwell
 Director de Fremery
 Director Matteri
 Director Somerhalder


NOES: **None**

ABSENT: **None**

ABSTAIN: **None**

Attested:

I HEREBY CERTIFY that the foregoing Resolution No. 2023-1 was duly and regularly adopted at a regular meeting of the Board of Directors of the Knightsen Town Community Services District on February 2, 2023



Gilbert Somerhalder, Vice Chair
Knightsen Town Community Services District



Trish Bello-Kunkel, Chairperson
Knightsen Town Community Services District

Factors for Consideration (California Government Code §56668)

FACTOR	COMMENTS
(a) Population and population density; land area and land use; per capita assessed valuation; topography, natural boundaries, and drainage basins; proximity to other populated areas; the likelihood of significant growth in the area, and in adjacent incorporated and unincorporated areas, during the next 10 years.	The subject area includes the unincorporated Knightsen community. The area comprises 8.± square miles. The District boundary encompasses primarily agricultural land and some residential uses. The population is approximately 1,600.
(b) The need for organized community services; the present cost and adequacy of governmental services and controls in the area; probable future needs for those services and controls; probable effect of the proposed incorporation, formation, annexation, or exclusion and of alternative courses of action on the cost and adequacy of services and controls in the area and adjacent areas. "Services," as used in this subdivision, refers to governmental services whether or not the services are services which would be provided by local agencies subject to this division, and includes the public facilities necessary to provide those services.	There is a potential need for enhanced flood control and water quality (drainage) services. It is unlikely that KTCSD can provide these services due to financial constraints.
(c) The effect of the proposed action and of alternative actions, on adjacent areas, on mutual social and economic interests, and on the local governmental structure of the county.	It is not anticipated that dissolution of KTCSD will affect adjacent areas or the local government structure of the County.
(d) The conformity of both the proposal and its anticipated effects with both the adopted commission policies on providing planned, orderly, efficient patterns of urban development, and the policies and priorities in Section 56377. <i>(Note: Section 56377 encourages preservation of agricultural and open space lands)</i>	The subject area includes primarily agricultural land and some single-family residential uses. The dissolution will have no effect on development or on policies and priorities in Section 56377.
(e) The effect of the proposal on maintaining the physical and economic integrity of agricultural lands, as defined by Section 56016.	The subject area is primarily agricultural lands. Dissolution will have no impact on land use.
(f) The definiteness and certainty of the boundaries of the territory, the nonconformance of proposed boundaries with lines of assessment or ownership, the creation of islands or corridors of unincorporated territory, and other similar matters affecting the proposed boundaries.	The parcels that comprise the subject territory have specific boundary lines that are certain and identifiable.
(h) The proposal's consistency with city or county general and specific plans.	The dissolution will have no effect on the County General Plan.
(i) The sphere of influence (SOI) of any local agency which may be applicable to the proposal being reviewed.	The dissolution will have no effect on the SOIs of any local agency other than KTCSD.

FACTOR	COMMENTS
(j) The comments of any affected local agency or other public agency.	LAFCO received no comments from any local agencies or the public.
(k) The ability of the newly formed or receiving entity to provide the services which are the subject of the application to the area, including the sufficiency of revenues for those services following the proposed boundary change.	KTCS D has no established or secure source of revenue. As successor agency, Contra Costa County will assume the services.
(n) Any information or comments from the landowner or owners, voters, or residents of the affected territory.	In accordance with LAFCO statutes, Contra Costa LAFCO published a display ad in the local newspaper. As of this writing, LAFCO received no formal objections from landowners or registered voters.
(o) Any information relating to existing land use designations.	The County's General Plan designation for the area is primarily Agriculture Land and the zoning designations include primarily General and Heavy Agriculture with some Single Family Residential. No changes to the present or planned land uses will result from the dissolution.
(p) The extent to which the proposal will promote environmental justice. As used in this subdivision, "environmental justice" means the fair treatment and meaningful involvement of people of all races, cultures, incomes, and national origins, with respect to the location of public facilities and the provision of public services, to ensure a healthy environment for all people such that the effects of pollution are not disproportionately borne by any particular populations or communities.	The dissolution will have no effect on environmental justice or to the fair treatment of people of all races, cultures, and incomes.
56668.5. The commission may, but is not required to, consider the regional growth goals and policies established by a collaboration of elected officials only, formally representing their local jurisdictions in an official capacity on a regional or subregional basis. This section does not grant any new powers or authority to the commission or any other body to establish regional growth goals and policies independent of the powers granted by other laws.	Dissolution of KTCS D will not affect or be affected by Plan Bay Area, in that the Plan focuses on Priority Development Areas (PDAs) and Priority Conservation Areas (PCAs); and the affected territory is neither.

Note:

The following subsections are not applicable to this proposal: (g) - regional transportation plan, (l) water supplies, (m) achieving respective fair shares of regional housing needs, and (q) local hazard mitigation plan.

RESOLUTION NO. 23-01

**RESOLUTION OF THE CONTRA COSTA LOCAL AGENCY FORMATION COMMISSION
MAKING DETERMINATIONS AND APPROVING DISSOLUTION OF
KNIGHTSEN TOWN COMMUNITY SERVICES DISTRICT**

WHEREAS, the Knightsen Town Community Services District (KTCSO) is located entirely within unincorporated Contra Costa County in the unincorporated Knightsen community; and

WHEREAS, KTCSO comprises 8± square miles with a population of approximately 1,600 residents; and

WHEREAS, KTCSO was formed to provide enhanced flood control and water quality (drainage services) to the Knightsen community; and

WHEREAS, no physical services are provided by the KTCSO; and

WHEREAS, on February 2, 2023, the KTCSO Board of Directors adopted Resolution 2023-01 initiating proceedings and requesting that Contra Costa LAFCO dissolve KTCSO pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act (Government Code (GC) §56000 et seq.); and

WHEREAS, at the time and in the manner required by law, the Executive Officer gave notice of the Commission's consideration of the proposal to dissolve KTCSO; and

WHEREAS, notice of today's Commission hearing was advertised, and a 1/8-page display ad was published in the East County Times pursuant to GC §56157 in lieu of mailed notices, due to the number of affected landowners and registered voters exceeding 1,000; and

WHEREAS, the Executive Officer reviewed available information and prepared a report including her recommendations therein, and the report and related information were presented to and considered by the Commission; and

WHEREAS, the Commission heard, discussed, and considered all oral and written testimony related to the proposal including, but not limited to, the Executive Officer's report and recommendation, the environmental document or determination, Spheres of Influence, and related information; and

WHEREAS, LAFCO determines that dissolution of KTCSO and naming Contra Costa County as successor agency to wind up the affairs of the district pursuant to GC §§56885 – 56890 is in the best interest of the affected area and the total organization of local governmental agencies within Contra Costa County; and

WHEREAS, Contra Costa County has agreed to be the successor agency.

NOW, THEREFORE, the Contra Costa Local Agency Formation Commission DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

1. The subject proposal is assigned the following distinctive short-form designation:

DISSOLUTION OF KNIGHTSEN TOWN CSD

2. KTCSO is located entirely within unincorporated Contra Costa County. The boundaries of the affected territory are found to be definite and certain as approved and set forth in Exhibit A, attached hereto and made a part hereof.
3. The proposal was initiated by KTCSO, the subject territory is inhabited, and if no objections are received, LAFCO will waive the protest proceedings.

4. Contra Costa County shall be the successor agency of KTCSD to wind up the affairs of the District.
5. All assets and liabilities associated with KTCSD will be assigned to Contra Costa County as successor agency.
6. In reviewing this proposal, the Commission has considered the factors required by Government Code section 56668.
7. The Commission finds that dissolution of KTCSD is categorically exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15320 (Class 20 – Changes to Government Organization).
8. The effective date of the dissolution shall be the date of filing the certificate of completion of the proposal.

PASSED AND ADOPTED THIS 10th day of May, 2023, by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

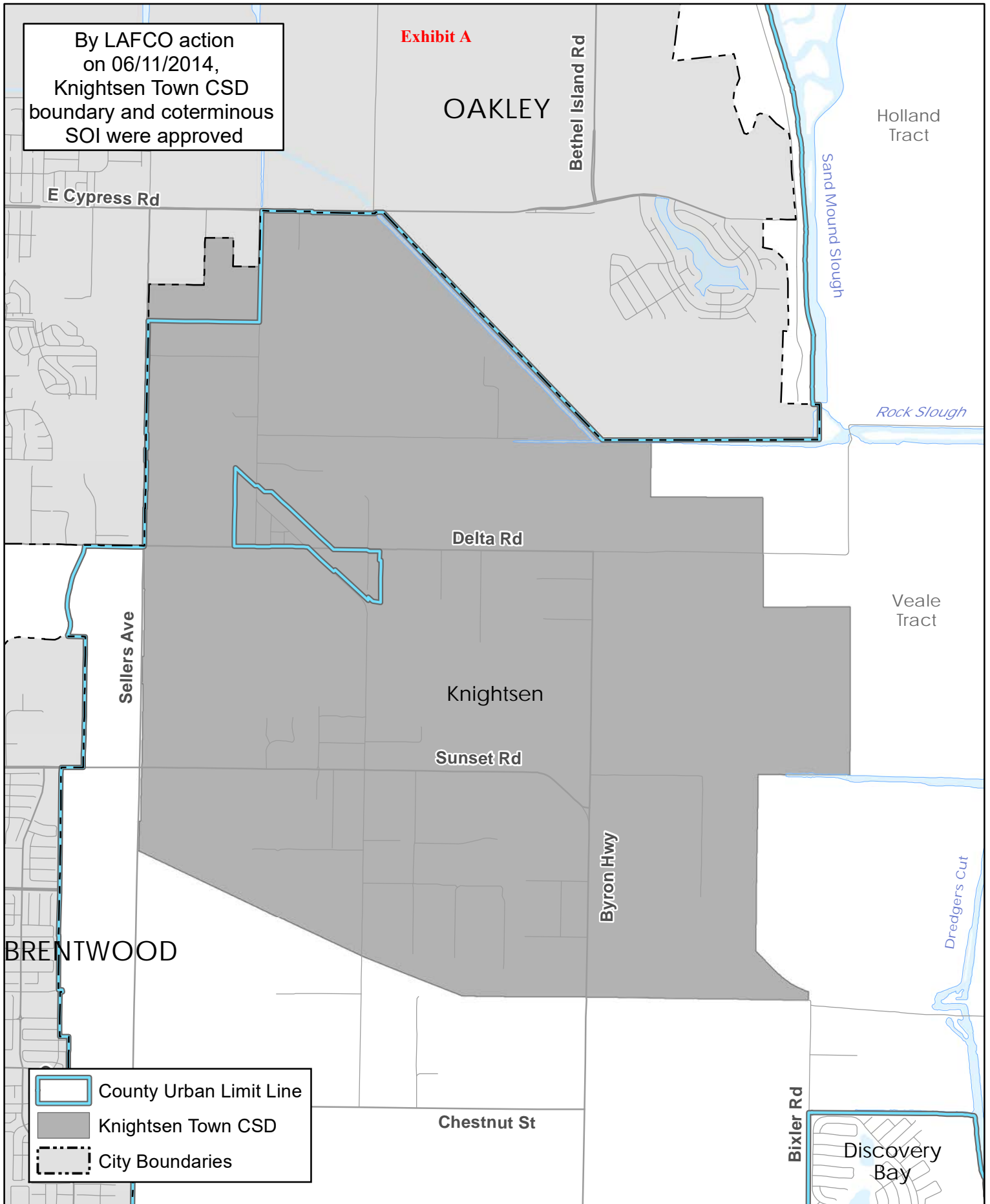
FEDERAL GLOVER, CHAIR, CONTRA COSTA LAFCO

I hereby certify that this is a correct copy of a resolution passed and adopted by this Commission on the date stated.

Dated: May 10, 2023




Lou Ann Texeira, Executive Officer

LAFCO 23-01 – Dissolution of the Knightsen Town Community Services District (KTCSD)



By LAFCO action on 06/11/2014, Knightsen Town CSD boundary and coterminous SOI were approved

Exhibit A

-  County Urban Limit Line
-  Knightsen Town CSD
-  City Boundaries

