

10.0 LION'S GATE COMMUNITY SERVICES DISTRICT

10.1 LOCATION, ADMINISTRATION, AND GOVERNANCE

The Lion's Gate Community Services District was formed in May 1998 pursuant to Government Code Section 61100. The original provision of services that were authorized by Santa Clara LAFCO includes the following for the Lion's Gate Reserve Residential and Golf Course Community:

- Sewage Collection System
- Wastewater Treatment Facility
- Potable water system

The District's approval allows additional services be extended upon voter approval. In August 2000 the District expanded the services being provided pursuant to a petition of the property owners. The additional services include the following:

- Maintenance of roadways, landscaping, gates, and other common improvements
- Maintenance of the lake system and agricultural wells
- Maintenance of storm drains and drainage easements
- Maintenance of utilities within the streets, as streets are private

The Community Services District law that took effect on January 1, 2006 includes a list of 31 services that a Community Services District may provide. All of the services and facilities that a District did not provide prior to January 1, 2006 are considered latent powers. Pursuant to Government Code Section 61106, if a District's Board of Directors decides to exercise a latent power, the Community Services District shall first receive the approval of LAFCO.

The District consists of 1,450 acres of land located in southern Santa Clara County between the Cities of Morgan Hill and Gilroy and southwest of the unincorporated community of San Martin, as shown in Figure 10.1. The District is bounded on the east by Coolidge Avenue (Santa Teresa Boulevard) and Turlock Avenue and on the west by Watsonville Road. The northern and southern boundaries are generally defined by two ranges of east-west hills, which form a nearly enclosed valley (Hayes Valley) in the central portion of the District. The District's boundary and SOI are coterminous.

The Lion's Gate Community consists of 41 residential lots, an 18-hole golf course, 110-acre vineyard, clubhouse, 45 overnight lodging units at the golf course, a swim and tennis center, and an equestrian center. Of the 41 residential lots there are currently 16 completed homes and several under construction. There are currently 12 full-time residents within the District. The community is a master planned development and is not expected to grow beyond the 41 residential lots.

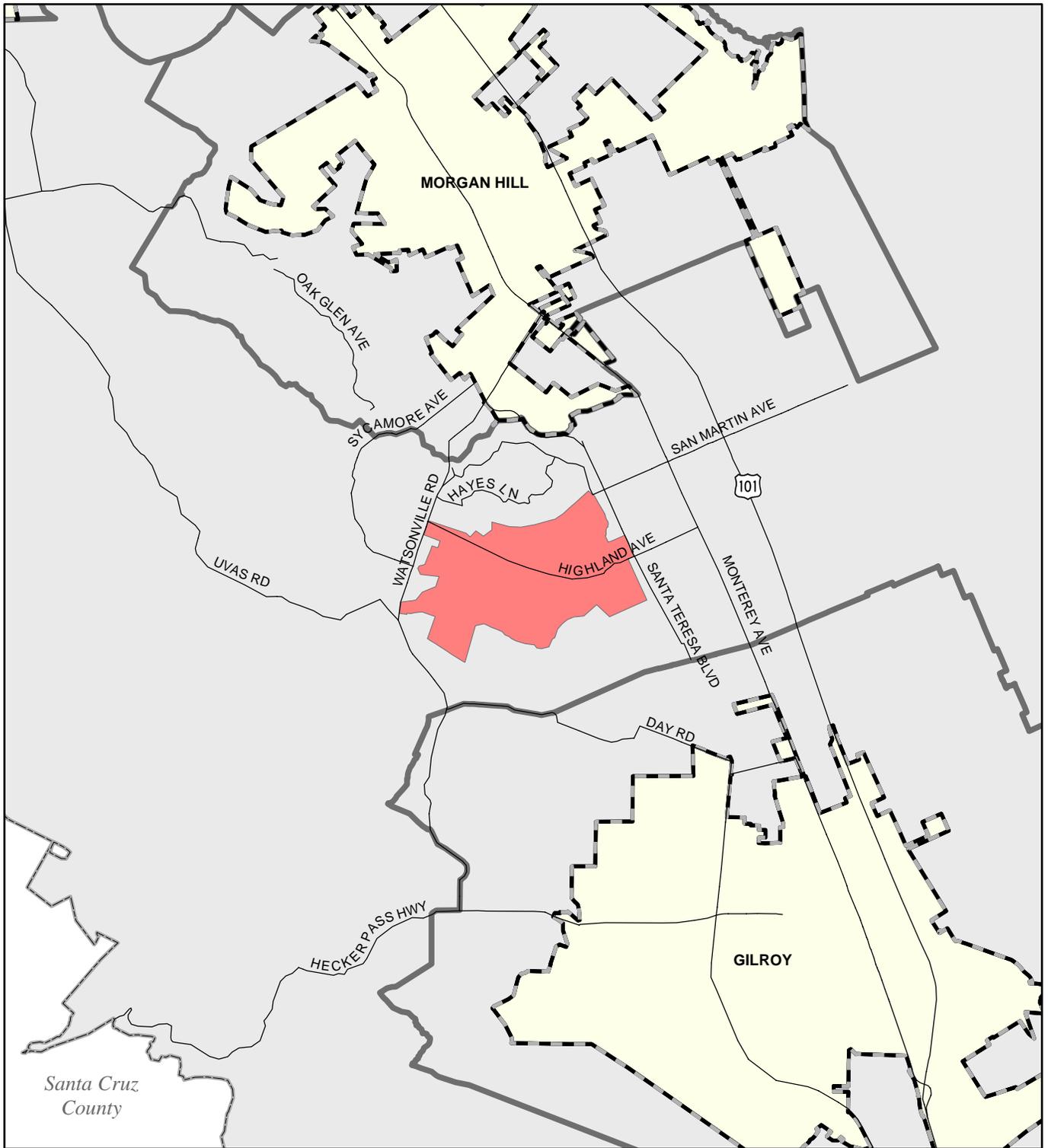
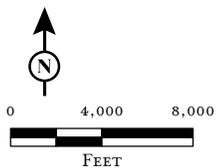


FIGURE 10.1

LSA



SOURCE: Santa Clara County

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Legend

-  Surrounding City Sphere of Influence
-  Surrounding City Limits
-  Unincorporated Areas not within the District
-  Lion's Gate Community Services District

*Santa Clara County
LAFCO Municipal Service Reviews*

**Lion's Gate
Community Services District**

The District is currently governed by a 3 member Board of Directors comprised of members appointed by the County as a part of formation of the District because there were no residents when the District was formed. The District is planning to hold an election before November 2006. Thereafter, all of the District's Board members will be residents of the District and elected by the registered voters of the District.

Board meetings are currently held at infrequent intervals. Board meetings are held at the CordeValle Resort and Hotel conference room. The District's procedure for noticing meetings is to mail agendas to the owners of each parcel. The District is anticipating that regularly scheduled meetings will be held following election of the new board.

The District does not have any employees and all services are provided through contracts with outside service providers. The District is currently managed via a contract with Beatty & Associates, a management consulting firm. Prior to the November election, the Board of Directors anticipates hiring a permanent manager for the District and reviewing each of the contracts administered by the District. The review of contracts will include the bidding process for each service being provided to the District (i.e., accounting; legal representation; maintenance of lakes, roadways, and landscaping; and operation of the wastewater treatment facility).

The District adopts an annual operating budget. The District's revenues are from assessments and interest income. The property owners are assessed each year. The District's assessments are established by the Board of Directors at a public hearing. Increases in the District's assessments would need to be levied pursuant to the requirements of Proposition 218, which requires the level of assessment to each property owner to be determined by an engineer's report and a mailed ballot protest proceeding. The assessment shall not be imposed if ballots submitted in opposition to the assessment exceed the ballots submitted in favor of the assessment. The ballots are weighted according to the proportional financial obligation of the property. In fiscal year 2005-2006, each residential parcel is assessed \$8,125.60 and the golf resort is assessed \$325,898.50. The District's 2005-2006 operating budget shows an annual income of \$659,048, which funds the expenses incurred in service delivery, a capital reserve of \$48,000, and a contingency of \$50,000. The assessments are levied by inclusion on property tax bills.

The District has not completed a financial audit. The County has provided the District with a list of approved audit firms, and the District has contracted for the audit to be prepared. However, as of April 2006, it has not been completed.

The District has completed a reserve study that provides an analysis of the repair and replacement requirements for the District's infrastructure and recommends a funding plan to meet those obligations. The premise of the reserve funding approach is to establish a contribution level that will allow the District to maintain a positive balance in the reserve fund while meeting all anticipated maintenance obligations. The District had a zero reserve fund balance on January 1, 2006, and has budgeted for a contribution of \$48,000 during the 2006 fiscal year. The findings of the study indicate that it will be necessary to increase the District's annual reserve contribution by 3 percent in fiscal years 2007-2035. The study also provides projected reserve fund balances through the next 20 years. In summary, the study shows a reserve fund balance of \$320,311 in 10 years and \$740,271 in 20 years. In addition, the study contains a 5 percent unscheduled or contingency funding allocation. As mentioned above, the District's 2005-2006 budget provides for a contingency of \$50,000. This fund provides for any unforeseen or out of the ordinary repair or replacement expenses.

10.2 INFRASTRUCTURE AND SERVICE PROVISION

The District owns and operates, via a contract, the wastewater collection and treatment system that was developed and sized to provide services to the Lion's Gate Community. The wastewater infrastructure is not designed to be expanded to adjacent properties. All residences and facilities within the community, except the golf course maintenance building, are served by a central wastewater collection, treatment, and disposal system. Because the maintenance building is located remotely, it is served by a separate septic and leachfield system.

The system collects wastewater in approximately four miles of 8-inch gravity flow sewers and conveys it to the wastewater treatment facility located near the eastern site boundary, approximately 200 feet west of Turlock Avenue. The wastewater is collected by gravity flow; therefore, step pumps, lift stations, and force mains are not utilized. The treatment facility, which provides tertiary treatment, began operation in 2001. The current average daily wastewater flow to the treatment facility is approximately 26,000 gallons per day (gpd). The maximum demand capacity of the facility is 46,000 gpd. The operator of the treatment facility has stated that there are no existing infrastructure deficiencies or operating constraints. The treatment plant operator provides monthly operations reports to the Regional Water Quality Control Board, which inspects the treatment facility at least once annually.

Every month, approximately 3,000 gallons of liquid sludge is transported by a local hauler via a tanker truck to either the Gilroy wastewater treatment plant or the Watsonville wastewater treatment plant for sludge processing and disposal. Treated wastewater (reclaimed water) is disposed of entirely by spray irrigation of restricted-access turf grass. This includes three to four acres of open-space grasslands on the west side of the storage pond.

The District has installed infrastructure for providing domestic water service. However, the District does not provide potable water services. Potable water services are provided by West San Martin Water Works Inc.

The District is maintaining approximately 2.5 miles of roadways within the community. As part of the roadway maintenance system, the District also maintains the stormwater drainage system. The stormwater drainage system within the community consists of detention basins and underground storm drains. Some of the stormwater facilities are owned by the District. In addition, there are several agricultural wells within the community that are owned by the golf club and maintained by the District. These wells provide water for irrigation of the common areas within the community. This includes the entrance, roadways, lakes, and vineyard amenities. The costs for maintaining the roadways, stormwater system, agricultural wells, and other common improvements are apportioned between the golf club and District.

10.3 SERVICE REVIEW DETERMINATIONS FOR THE LION'S GATE COMMUNITY SERVICES DISTRICT

The Service Review guidelines prepared by the State Office of Planning and Research recommend that issues relevant to the jurisdiction be addressed through written determinations called for in the Act. Based on the above information, following are the written determinations for the District.

Infrastructure Needs and Deficiencies

1. It does not appear that the District has any existing infrastructure deficiencies. All of the existing infrastructure was developed less than 10 years ago to serve this specific development.

Growth and Population

1. The District encompasses a specific planned community, which includes 41 residential lots, an 18-hole golf course, 110-acre vineyard, clubhouse, 45 overnight lodging units at the golf course, a swim and tennis center, and an equestrian center. Of the 41 residential lots there are currently 16 completed homes and several under construction. The maximum service area of the District is defined by its current boundaries.

Financing Constraints and Opportunities

1. The District's revenue is gained solely from assessments and interest income. The District will need to comply with Proposition 218 for approval of the assessments.

Cost Avoidance Opportunities

1. No cost avoidance opportunities have been identified.

Opportunities for Rate Restructuring

1. Future increases in the District's assessments would need to be levied pursuant to the requirements of Proposition 218.

Opportunities for Shared Facilities

1. The District provides services to a private community that is distinctly separate from other communities within the County and does not currently share any facilities. Because the District's facilities are limited and due to the location of the community, no opportunities for shared facilities have been identified.

Government Structure Options

1. Based upon the current provision of service it is reasonable to conclude that services can continue to be provided by the District under this government structure. As the District is not adjacent to any existing city boundary or SOI, annexation to a city is not feasible.

Evaluation of Management Efficiencies

1. The District is currently managed via a contract with a management consulting firm. Prior to the upcoming election, the Board of Directors anticipates hiring a permanent manager for the District and reviewing each of the contracts administered by the District.

Local Accountability and Governance

1. Board meetings are currently held at infrequent intervals. The District's procedure for noticing meetings is to mail agendas to the owners of each parcel within the District. The District is anticipating that regularly scheduled meetings will be held following election of the new board.
2. The District is planning to hold an election in November 2006. Thereafter, all of the District's Board members will be residents of the District and elected by the registered voters of the District.

10.4 SOI RECOMMENDATION FOR THE LION'S GATE COMMUNITY SERVICES DISTRICT

Current SOI Boundary

The existing SOI is coterminous with the District's boundaries.

SOI Recommendation

There are no SOI issues that have been identified. Therefore, it is recommended that LAFCO reaffirm the existing SOI for the Lion's Gate Community Services District.

10.5 SOI DETERMINATIONS FOR THE LION'S GATE COMMUNITY SERVICES DISTRICT

As detailed in Section 1.1.2, Government Code section 56425 requires written determinations with respect to the following four factors to update an agency's SOI. Based upon the information above, the following determinations are recommended to update the existing District SOI.

1. The Present and Planned Land Uses in the Area, Including Agricultural and Open-Space Lands

The District is located within an unincorporated area of the County. The District was established to provide services to a master planned development, which consists of 41 residential lots and a golf course/resort facility.

Finding: The community is not expected to grow beyond the 41 residential lots. Hence, future development within the District is expected to be minimal and consist of development of vacant parcels that are planned for single-family residences.

2. The Present and Probable Need for Public Facilities and Services in the Area

The maximum demand for District services was defined upon creation of the District and development of the infrastructure serving the community.

Finding: The District was established to provide services to the master planned development. Future growth within the District would be minimal and limited to development of vacant parcels.

3. The Present Capacity of Public Facilities and Adequacy of Public Services That the Agency Provides or Is Authorized to Provide

Because the District serves a master planned development, the infrastructure serving the community has been designed to serve the full build out of all parcels.

Finding: The present capacity of public facilities and provision of service appears to be adequate.

4. The Existence of Any Social or Economic Communities of Interest in the Area if the Commission Determines That They Are Relevant to the Agency

The District is located within an unincorporated area of the County and provides services to a private community that is distinctly separate from other communities within the County. The services provided by the District have been designed to only serve this specific community and not be extended to adjacent properties.

Finding: The Lion's Gate Reserve Residential and Golf Course Community is a distinct community of interest.