



**EL DORADO HILLS COMMUNITY SERVICES DISTRICT
LAKE FOREST PARK LANDSCAPING AND LIGHTING ASSESSMENT DISTRICT
#36**

FINAL ENGINEER'S REPORT

FISCAL YEAR 2011-12

APRIL 2011

PREPARED FOR:

**BOARD OF DIRECTORS
EL DORADO HILLS COMMUNITY SERVICES DISTRICT**

PURSUANT TO THE LANDSCAPING AND LIGHTING ACT OF 1972 AND
ARTICLE XIID OF THE CALIFORNIA CONSTITUTION

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INTRODUCTION

OVERVIEW

The El Dorado Hills Community Services District ("EDHCSD") formed the Lake Forest Park Landscape and Lighting Assessment District #36 ("Assessment District") in 2009 in order to provide funding for the maintenance and installation of improvements for a new village park, Lake Forest Park, within the Assessment District. The Board of Directors of the EDHCSD (the "Board") has adopted a policy requiring approval of an assessment district, to fund annual maintenance and operation of park facilities, prior to installation of any new park facilities in the EDHCSD. Therefore, in absence of the Assessment District, the baseline level of park and recreation facilities in the Assessment District (the "Baseline Service") would be without the installation of a new village park, Lake Forest Park.

This Assessment District contains residential and commercial parcels north of Green Valley Road and west of Salmon Falls Road that are within the boundaries of the El Dorado Hills Community Services District and that are proximate to Lake Forest Park. The assessments for this Assessment District are used to maintain and improve Lake Forest Park and are levied annually.

ASSESSMENT PROCESS

This Engineer's Report ("Report") describes the Assessment District, the Assessment District Boundaries, a description of the Improvements to be maintained, and the proposed assessments for fiscal year 2011-12. The assessments are based on the cost to operate, maintain and service Lake Forest Park (the "Improvements"). The assessments are also based on the direct and special benefit to properties within the Assessment District.

In May and June 2009 the Board conducted an assessment ballot proceeding pursuant to the requirements of Article XIII D of the California Constitution ("The Taxpayer's Right to Vote on Taxes Act") and the Landscaping and Lighting Act of 1972. During this ballot proceeding, property owners in the District were provided with a notice and ballot for the proposed parks assessment ("the Lake Forest Park Assessment District" or the "Assessment District"). A 45-day period was provided for balloting and a public hearing was conducted on June 11, 2009. At the public hearing, all ballots returned within the 45-day balloting period were tabulated. It was determined at the public hearing that the assessment ballots submitted in opposition to the proposed assessments did not exceed the assessment ballots submitted in favor of the assessments (with each ballot weighted by the proportional financial obligation of the property for which ballot was submitted). The final balloting result was 65.92% weighted support in favor of the benefit assessments for the Lake Forest Park Assessment District.

As a result, the Board gained the authority to approve the levy of the assessments for the fiscal year 2009-10 and future years. The authority granted by the ballot proceeding includes an annual adjustment in the assessment levies equal to the annual change in the Consumer Price Index for the San Francisco Bay Area, plus an additional 1%.

In each subsequent year for which the assessments will be levied, the Board must direct the preparation of an Engineer's Report, budgets and proposed assessments for the upcoming fiscal year. After the Engineer's Report is completed, the Board may preliminarily approve the Engineer's Report and proposed assessments and establish the date for a public hearing on the continuation of the assessments. This Report was prepared pursuant to the direction of the Board adopted on February 10, 2011.

This Engineer's Report ("Report") was prepared to establish the budget for the improvements and services that would be funded by the proposed 2011-12 assessments, determine the benefits received by property from the improvements and services within the Assessment District and the method of assessment apportionment to lots and parcels within the District. This Report and the proposed assessments have been made pursuant to the Landscaping and Lighting Act of 1972, Part 2 of Division 15 of the California Streets and Highways Code (the "Act") and Article XIII D of the California Constitution (the "Article").

The Board preliminarily approved this Engineer's Report and the proposed assessments by resolution on April 14, 2011. A notice of public hearing has been published in a local paper at least 10 days prior to the date of the public hearing. The resolution preliminarily approving the Engineer's Report and establishing the date for a public hearing is used for this notice.

Following the minimum 10-day time period after publishing the notice, a public hearing is held for the purpose of allowing public testimony about the proposed continuation of the assessments. This hearing is currently scheduled for May 12, 2011. At this hearing, the Board would consider approval of a resolution confirming the assessments for fiscal year 2011-12. If the assessments are so confirmed and approved, the levies would be submitted to the County Auditor/Controller by August 2011 for inclusion on the property tax roll for fiscal year 2011-12.

PROPOSITION 218

This assessment is formed consistent with Proposition 218, The Right to Vote on Taxes Act, which was approved by the voters of California on November 6, 1996, and is now codified as Articles XIII C and XIII D of the California Constitution. Proposition 218 provides for benefit assessments to be levied to fund the cost of providing services, improvements, as well as maintenance and operation expenses to a public improvement which benefits the assessed property.

Proposition 218 describes a number of important requirements, including property-owner balloting, for the imposition, increase and extension of assessments, and these requirements are satisfied by the process used to establish this assessment.

SILICON VALLEY TAXPAYERS ASSOCIATION, INC. v SANTA CLARA COUNTY OPEN SPACE AUTHORITY

In July of 2008, the California Supreme Court issued its ruling on the Silicon Valley Taxpayers Association, Inc. v. Santa Clara County Open Space Authority ("SVTA vs. SCCOSA"). This ruling is the most significant legal document in further legally clarifying Proposition 218. Several of the most important elements of the ruling included further emphasis that:

- Benefit assessments are for special, not general, benefit
- The services and/or improvements funded by assessments must be clearly defined
- Special benefits are directly received by and provide a direct advantage to property in the assessment district

This Engineer's Report has been evaluated in light of the SVTA vs. SCCOSA decision and updated to be consistent with the decision. There have been a number of clarifications made to the analysis, findings and supporting text to ensure that this consistency is well communicated.

DAHMS V. DOWNTOWN POMONA PROPERTY

On June 8, 2009, the 4th Court of Appeal amended its original opinion upholding a benefit assessment for property in the downtown area of the City of Pomona. On July 22, 2009, the California Supreme Court denied review. On this date, Dahms became good law and binding precedent for assessments. In Dahms the Court upheld an assessment that was 100% special benefit (i.e. 0% general benefit) on the rationale that the services and improvements funded by the assessments were directly provided to property in the assessment district. The Court also upheld discounts and exemptions from the assessment for certain properties.

BONANDER V. TOWN OF TIBURON

In the December 31, 2009, the 1st District Court of Appeal overturned a benefit assessment approved by property owners to pay for placing overhead utility lines underground in an area of the Town of Tiburon. The Court invalidated the assessments on the grounds that the assessments had been apportioned to assessed property based on in part on relative costs within sub-areas of the assessment district instead of proportional special benefits.

BEUTZ V. COUNTY OF RIVERSIDE

On May 26, 2010 the 4th District Court of Appeals issued a decision on the Steven Beutz v. County of Riverside ("Beutz") appeal. This decision overturned an assessment for park maintenance in Wildomar, California, primarily because the general benefits associated with improvements and services was not explicitly calculated, quantified and separated from the special benefits.

BUDGET AND LEVY SUMMARY.

Table I shown below summarizes the 2011-12 Assessment District levy.

TABLE I
FY 2011-12 LEVY SUMMARY

Lake Forest Park	FY 2011-12 Amount*
Total Levy	\$47,812.75
Total Number of Benefit Units	1912.51
Proposed Levy per Benefit Unit FY 2011-12	\$25.00

* All assessments are rounded to lower even penny. Therefore, the budget amount may slightly differ from the assessment rate.

DESCRIPTION OF THE ASSESSMENT DISTRICT

IMPROVEMENTS AND SERVICES WITHIN THE ASSESSMENT DISTRICT:

The work and improvements (the "Improvements") to be maintained with the Lake Forest Park Assessment District (the "Assessment District") and the cost thereof, including any debt service on bonds or other indebtedness issued for the work and improvements, paid from the levy of the annual assessment provide special benefit to Assessor Parcels within the Assessment District as defined in the Method of Assessment herein. In addition to the definitions provided by the Landscaping and Lighting Act of 1972, (the "Act") the work and improvements are generally described as follows:

Lake Forest Village Park

Lake Forest Village Park is a 9.76 acre village park to be constructed on Francisco Drive South of Sheffield Drive. Lake Forest Village Park improvements to be installed maintained and serviced throughout the Assessment District include:

- Covered group picnic area with 8 picnic tables
- 7 benches
- 2 drinking fountains
- 7 trash receptacles
- 4 Barbeque pits
- 735 LF chain link fencing
- Park sign
- 1 Swing set
- 5-12 Play equipment
- Rock play / climbing structure
- Volleyball court
- Park frontage improvements
- Open turf area
- Parking lot
- Wildlife enhancement features
- 1,791 LF of concrete curbs
- 14,771 sq ft of sidewalks
- 41 LF stairs
- 6,261 face feet of retaining walls
- 33,640 sq ft irrigation
- 4,270 sq ft of jogging trails
- Fitness par course elements
- 1,620 LF Nature trail
- Two tennis courts
- Bocce ball court
- Public restroom

- Outdoor classroom
- Native garden

The improvements to be maintained include all necessary service, operations, administration, and maintenance required to keep the above-mentioned improvements in a healthy, vigorous condition.

“Maintenance” means the furnishing of services and materials for the ordinary and usual maintenance, operation and servicing of any improvement, including repair, removal or replacement of all or any part of any improvement; providing for the life, growth, health, and beauty of landscaping, including cultivation, irrigation, trimming, spraying, fertilizing, or treating for disease or injury; the removal of trimmings, rubbish, debris, and other solid waste, and the cleaning, sandblasting, and painting of walls and other improvements to remove or cover graffiti.

“Servicing” means the furnishing of electric current, or energy, gas or other illuminating agent for any public lighting facilities or for the lighting or operation of any improvements; and water for the irrigation of any landscaping, the operation of any fountains, or the maintenance of any other improvements.

Incidental expenses include all of the following: (a) The costs of preparation of the report, including plans, specifications, estimates, diagram, and assessment; (b) the costs of printing, advertising, and the giving of published, posted, and mailed notices; (c) compensation payable to the County for collection of assessments; (d) compensation of any engineer or attorney employed to render services in proceedings pursuant to this part; (e) any other expenses incidental to the construction, installation, or maintenance and servicing of the Improvements; (f) any expenses incidental to the issuance of bonds or notes pursuant to Streets & Highways Code Section 22662.5; and (g) costs associated with any elections held for the approval of a new or increased assessment. (Streets & Highways Code §22526).

The assessment proceeds will be exclusively used for Improvements within the Assessment District plus Incidental expenses. Reference is made to the Summary of District’s Improvement Plans section in the following section of this Report which specifically identifies the park and recreation areas to be funded by the assessment proceeds and to the plans and specifications, including specific expenditure and improvement plans, which are on file with the District. Any further plans and specifications for the Assessment District will be filed with the General Manager of the EDHCSD and are incorporated herein by reference.

ESTIMATE OF COST AND BUDGET

INTRODUCTION

Following are the Improvements for the Assessment District. Improvements funded by the assessments will be used to maintain and improve Lake Forest Park. The formula below describes the relationship between the final level of improvements, the existing baseline level of service, and the level of improvements for the park funded by the assessments.

$\begin{aligned} \text{Final Level of Improvements} &= \text{Baseline level of Improvements} \\ &+ \\ &\text{Additional Improvements funded by Assessments} \end{aligned}$
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SUMMARY OF DISTRICT'S IMPROVEMENT PLANS

Improvements provided on the site have been identified for Lake Forest Park. The Assessment District boundaries have been narrowly drawn to include properties, within the EDHCSD boundaries, that have good proximity and access to Lake Forest Park.

BUDGET FOR FISCAL YEAR 2011-12

The following Tables display the estimate of the cost of the Improvements that are funded by the Assessment District in Fiscal Year 2011-12. The expenditures would be governed by the policies, criteria and requirements established within this Report, the Article and by the Act.

EL DORADO HILLS COMMUNITY SERVICES DISTRICT
 LAKE FOREST PARK LANDSCAPING & LIGHTING ASSESSMENT DISTRICT #36
 FY 2011-12 ASSESSMENT BUDGET

LAKE FOREST PARK ASSESSMENT BUDGET

EXPENDITURES

Salaries & Benefits	\$15,710
Services & Supplies	\$65,948
Debt Service	\$0
Capital Improvements / Replacement	\$0
Subtotal	<u>\$81,658</u>

REVENUE

Available Fund Balance 7/1/11 ¹	(\$100,354)
Contribution to/(from) General Reserve	\$19,590
Contribution to/(from) Equipment Reserve	\$567
Contribution to/(from) Operating Reserve	\$20,081
Contribution to/(from) Capital Improvement Reserve	\$0
Contribution to/(from) Deferred Maintenance Reserve	\$34,437
Contribution to/(from) Sidewalk Reserve	\$0
Contribution to/(from) Tree Mitigation Reserve	\$0
Contribution to/(from) Trail Reserve	\$0
Contribution to/(from) Bond Reserve	\$0
Contribution (from) General Fund	(\$8,166)
Subtotal	<u>(\$33,845)</u>

Balance to Levy \$47,813

DISTRICT STATISTICS

Total Assessable Parcels	1949
Total Benefit Units	1912.51
Fiscal Year 2011-12 Levy per Unit	\$25.00

Total Assessment Levy² \$47,812.75

Notes to Estimate of Cost:

1. As determined in the following section, at least 10% of the cost of Improvements must be funded from sources other than the assessments to cover any general benefits from the Improvements. Therefore, out of the total cost of Improvements of \$81,658 the EDHCSD must contribute at least \$8,166 from sources other than the assessments. The EDHCSD will contribute this amount, which covers any general benefits from the Improvements.
2. The Act requires that proceeds from the assessments must be deposited into a special fund that has been set up for the revenues and expenditures of the Assessment District. Moreover, funds raised by the assessment shall be used only for the purposes stated within this Report. Any balance remaining at the end of the fiscal year, July 1, must be carried over to the next fiscal year. The Assessment District may also establish a reserve fund for contingencies and special projects as well as a capital improvement fund for accumulating funds for larger capital improvement projects or capital renovation needs. Any remaining balance would either be placed in the reserve fund, the capital improvement fund, or would be used to reduce future years' assessments.

METHOD OF APPORTIONMENT

METHOD OF APPORTIONMENT

This section of the Engineer's Report includes an explanation of the special and general benefits derived from the Improvements to Lake Forest Park, and the methodology used to apportion the total assessment to properties within the Assessment District.

The method used for apportioning the assessment is based upon the proportional special benefits conferred to the properties over and above the general benefits conferred to real property in the Assessment District or to the public at large. Special benefit is calculated for each parcel in the Assessment District using the following process:

- 1.) Identification of all benefit factors derived from the Improvements
- 2.) Calculation of the proportion of these benefits that are general
- 3.) Determination of the relative special benefit within different areas within the Assessment District
- 4.) Determination of the relative special benefit per property type
- 5.) Calculation of the specific assessment for each individual parcel based upon special vs. general benefit; location, property type, property characteristics, improvements on property and other supporting attributes

DISCUSSION OF BENEFIT

Assessments can only be levied based on the special benefit to property. This special benefit is received by property over and above any general benefits. Any and all general benefit must be funded from another source. With reference to the requirements for assessments, Section 22573 of the Landscaping and Lighting Act of 1972 states:

"The net amount to be assessed upon lands within an assessment district may be apportioned by any formula or method which fairly distributes the net amount among all assessable lots or parcels in proportion to the estimated benefits to be received by each such lot or parcel from the improvements."

"The determination of whether or not a lot or parcel will benefit from the improvements shall be made pursuant to the Improvement Act of 1911 (Division 7 (commencing with Section 5000)) [of the Streets and Highways Code, State of California]."

Proposition 218, as codified in Article XIID of the California Constitution, has confirmed that assessments must be based on the special benefit to property:

"No assessment shall be imposed on any parcel which exceeds the reasonable cost of the proportional special benefit conferred on that parcel."

Since assessments are levied on the basis of special benefit, they are not a tax and are not governed by Article XIII A of the California Constitution.

The SVTA v. SCCOSA decision also clarifies that a special benefit is a service or improvement that provides a direct advantage to a parcel and that indirect or derivative advantages resulting from the overall public benefits from a service or improvement are general benefits. The SVTA v. SCCOSA decision also provides specific guidance that park improvements are a direct advantage and special benefit to property that is proximate to a park that is improved by an assessment:

the characterization of a benefit may depend on whether the parcel receives a direct advantage from the improvement (e.g. proximity to a park) or receives an indirect, derivative advantage resulting from the overall public benefits of the improvement (e.g. general enhancement of the district's property values).

Finally, Proposition 218 twice uses the phrase "over and above" general benefits in describing special benefit. (Art. XIII D, sections 2(i) & 4(f).) The SVTA v. SCCOSA decision further clarifies that special benefits must provide a direct advantage to benefiting property and that proximity to a park is an example of a special benefit.

BENEFIT FACTORS

The special benefits from the Improvements are listed below:

- **Extension of a property's outdoor areas and green spaces for properties within close proximity to the Improvements**

In large part because it is cost prohibitive to provide large open land areas on property in the Assessment District, the residential, commercial and other benefiting properties in the Assessment District do not have large outdoor areas and green spaces. The park in the Assessment District provides these larger outdoor areas that serve as an effective extension of the land area for proximate properties because the Improvements are uniquely proximate and accessible to property in close proximity to the Improvements. The Improvements, therefore, provide an important, valuable and desirable extension of usable land area for the direct advantage and special benefit of properties with good and close proximity to the Improvements.

According to the industry-standard guidelines established by the National Park and Recreation Association (the "NPRA"), neighborhood parks in urban areas have a service area radius of generally one-half mile and community parks in an urban area have a service area radius of

approximately two miles. The service radii for neighborhood parks and neighborhood green spaces were specifically established to give all properties within this service radii close proximity and easy walking access to such public land areas. The Lake Forest Park is a village park, which is generally larger than a neighborhood park and is designed to serve a somewhat larger area. The District has established a one mile service area for such village parks. The boundaries of the Assessment District have been specifically drawn to only include properties that are within the service area of the proposed Lake Forest Park. Since proximate and accessible parks serve as an extension of the usable land area for property in the service radii and since the service radii was specifically designed to provide close proximity and access, the parcels within this service area clearly receive a direct advantage and special benefit from the Improvements - and this advantage is not received by other properties or the public at large.

- **Proximity to improved parks and recreational facilities**

Only the specific properties within close proximity and good access to the Improvements are included in the Assessment District. The Assessment District was also narrowly drawn to include only the benefiting parcels. Therefore, property in the Assessment District enjoys unique and valuable proximity and access to the Improvements that the public at large and property outside the Assessment District does not share.

In absence of the assessments, the Improvements would not be provided and Lake Forest Park would not have been constructed. Therefore, the assessments provide Improvements that are over and above what otherwise would be provided. Improvements that are over and above do not by themselves translate into special benefits but when combined with the unique proximity and access enjoyed by parcels in the Assessment District, the close proximity to the Improvements by parcels in the Assessment District is a direct advantage and special benefit that is over and above what otherwise would be provided and what is provided to the public at large or property in general.

- **Access to improved parks, open space and recreational areas**

Since the parcels in the Assessment District are nearly the only parcels that enjoy good access to the Improvements, they directly benefit from the unique close access to improved parks, open space and recreation areas that are provided by the Assessments. This is a direct advantage and special benefit to property in the Assessment District.

- **Improved Views**

The Assessment District, by providing for the new Lake Forest Park and ensuring that this park remains well maintained provides improved views within the Assessment District. Therefore, the improved and protected views provided by the Assessments are another direct and tangible advantage that is uniquely conferred upon property in the Assessment District.

- **Enhanced desirability of property in the Assessment District.**

As noted, the assessments funding to maintain and improve Lake Forest Park, in the Assessment District, and such Improvements are over and above what would be provided in absence of the Assessments. Such improved parks and recreation areas enhance the overall desirability of properties within close proximity to the Improvements. The Improvements also make the benefiting properties in the Assessment District more marketable and easier to sell, because property is more desirable in areas with accessible and proximate improved parks and views of improved parks and natural areas. Other properties outside the Assessment District do not receive these direct special benefits because they do not have similar access, views and proximity to the Improvements.

In support of the benefits of parks and recreation facilities and their impact on the attractiveness and marketability of property, a study found that home buyers over age 55 considering a move were surveyed about the amenities that 'Would seriously influence them in selecting a new community.' The following results were found: ¹

Amenity	Group	% Seeking	
		Amenity	Rank on List
Walking and jogging trails	55+	52	1
Walking and jogging trails	55+ >\$75k per year	65	2
Outdoor spaces	55+	51	
Outdoor spaces (park)	55+, moving to suburbs	55	
Open Spaces	55+	46	4

BENEFIT FINDING

In summary, real property located within the boundaries of the Assessment District distinctly and directly benefits from closer proximity, access and views of improved parks, and recreation facilities funded by the Assessments. The improved parks and recreation areas also enhance the utility, attractiveness and desirability of benefiting parcels in the Assessment District. The Improvements are specifically designed to serve local properties in the Assessment District, not other properties or the public at large. The public at large and other properties outside the Assessment District receive only limited benefits from the Improvements because they do not have proximity, good access or views of the Improvements. These are special benefits to property in the Assessment District in much the same way that sewer and water facilities, sidewalks and paved streets enhance the utility and desirability of property and make them more functional to use, safer and easier to access.

¹ Wylde, Boomers on the Horizon: Housing Preferences of the 55+ Market, *National Association of Home Builders*, 2002

GENERAL VERSUS SPECIAL BENEFIT

Article XIII C of the California Constitution requires any local agency proposing to increase or impose a benefit assessment to “separate the general benefits from the special benefits conferred on a parcel.” The rationale for separating special and general benefits is to ensure that property owners subject to the benefit assessment are not paying for general benefits. The assessment can fund special benefits but cannot fund general benefits. Accordingly, a separate estimate of the special and general benefit is given in this section.

In other words:

$$\text{Total Benefit} = \text{Total General Benefit} + \text{Total Special Benefit}$$

There is no widely-accepted or statutory formula for general benefit. General benefits are benefits from improvements or services that are not special in nature, are not “particular and distinct” and are not “over and above” benefits received by other properties. SVTA vs. SCCOSA provides some clarification by indicating that general benefits provide “an indirect, derivative advantage” and are not necessarily proximate to the improvements.

In this Report, the general benefit is conservatively estimated and described, and then budgeted so that it is funded by sources other than the assessment.

The starting point for evaluating general and special benefits is the current, baseline level of service. The assessment fund Improvements “over and above” this general, baseline level and the general benefits estimated in this section are over and above the baseline.

A formula to estimate the general benefit is listed below:

$$\begin{aligned} \text{General Benefit} = & \\ & \text{Benefit to Real Property Outside the Assessment District} + \\ & \text{Benefit to Real Property Inside the Assessment District that is Indirect and Derivative} \\ & + \\ & \text{Benefit to the Public at Large} \end{aligned}$$

Special benefit, on the other hand, is defined in the state constitution as “a particular and distinct benefit over and above general benefits conferred on real property located in the district or to the public at large.” The SVTA v. SCCOSA decision indicates that a special benefit is conferred to a property if it “receives a direct advantage from the improvement (e.g., proximity to a park).” In this Assessment, as noted, properties in the Assessment District have close and unique proximity, views and access to the Improvements and uniquely improved desirability from the Improvements and other properties and the public at large do not receive significant benefits because they do not have proximity, access or views of the Improvements. Therefore, the overwhelming proportion of the benefits conferred to property is special, and is only minimally received by property outside the Assessment District or the public at large.

In the 2009 Dahms case, the court upheld an assessment that was 100% special benefit on the rationale that the services funded by the assessments were directly provided within the assessment district. It is also important to note that the improvements and services funded by the assessments in Pomona are similar to the improvements and services funded by the Assessments described in this Engineer's Report and the Court found these improvements and services to be 100% special benefit. Also similar to the assessments in Pomona, the Assessments described in this Engineer's Report fund improvements and services directly provided within the Assessment District and every benefiting property in the Assessment District enjoys proximity and access to the Improvements. Therefore, Dahms establishes a basis for minimal or zero general benefits from the Assessments. However, in this Report, the general benefit is more conservatively estimated and described, and then budgeted so that it is funded by sources other than the Assessment.

CALCULATING GENERAL BENEFIT

In this section, the general benefit is conservatively estimated and described, and then budgeted so that it is funded by sources other than the assessment.

BENEFIT TO PROPERTY OUTSIDE THE ASSESSMENT DISTRICT

Properties within the Assessment District receive almost all of the special benefits from the Improvements because properties in the Assessment District enjoy unique close proximity and access to the Improvements that is not enjoyed by other properties or the public at large. However, certain properties within the proximity/access radius of the Improvements, but outside of the boundaries of the Assessment District, may receive some benefit from the Improvements. Since this benefit is conferred to properties outside the Assessment District boundaries, it contributes to the overall general benefit calculation and will not be funded by the Assessments.

The properties outside the Assessment District and within the proximity radii for village parks in the Assessment District receive benefits from the Improvements. Since the properties outside the Assessment District but within the effective proximity radii are not assessed for their benefits because they are outside of the area that can be assessed by the District, this is form of general benefit to the public at large and other property. A 50% reduction factor is applied to these properties because they are all on only one side of the Improvements and properties in the Assessment District enjoy the advantage of over twice the average proximity to the Improvements. The general benefit to property outside of the Assessment District is calculated as follows with the parcel and data analysis performed by SCI Consulting Group.

ASSUMPTIONS:

- 80 PARCELS OUTSIDE THE ASSESSMENT DISTRICT BUT WITHIN EITHER 1.0 MILES OF THE PROPOSED LAKE FOREST PARK
- 1,948 PARCELS IN THE ASSESSMENT DISTRICTS
- 50% RELATIVE BENEFIT COMPARED TO PROPERTY WITHIN THE ASSESSMENT DISTRICT

CALCULATION

GENERAL BENEFIT TO PROPERTY OUTSIDE THE ASSESSMENT DISTRICT = $80/(1,948+80) \cdot 5 = 2.0\%$

Although it can reasonably be argued that Improvements inside, but near the Assessment District boundaries are offset by similar park and recreational improvements provided outside, but near the Assessment District's boundaries, we use the more conservative approach of finding that 2.0% of the Improvements may be of general benefit to property outside the Assessment District.

BENEFIT TO PROPERTY *INSIDE* THE DISTRICT THAT IS *INDIRECT AND DERIVATIVE*

The "indirect and derivative" benefit to property within the Assessment District is particularly difficult to calculate. A solid argument can be presented that all benefit within the Assessment District is special, because the Improvements are clearly "over and above" and "particular and distinct" when compared with the baseline level of service and the unique proximity, access and views of the Improvements enjoyed by benefiting properties in the Assessment District.

Nevertheless, the SVTA vs. SCCOSA decision indicates there may be general benefit "conferred on real property located in the district" A measure of the general benefits to property within the Assessment area is the percentage of land area within the Assessment District that is publicly owned and used for regional purposes such as major roads, rail lines and other regional facilities because such properties used for regional purposes could provide indirect benefits to the public at large. Approximately 2.7% of the land area in the Assessment District is used for such regional purposes, so this is a measure of the general benefits to property within the Assessment District.

BENEFIT TO THE PUBLIC AT LARGE

The general benefit to the public at large can be estimated by the proportionate amount of time that the Assessment District's parks and recreational facilities are used and enjoyed by individuals who are not residents, employees, customers or property owners in the Assessment District. Based on surveys and research conducted by SCI, less than 5% of the use of similar parks and recreation areas is by the public at large.² Therefore, 5% of the benefits from the Improvements are general benefits to the public at large.

² The public at large is defined as people who do not live or work within the three proposed and adjoining assessment districts.

TOTAL GENERAL BENEFITS

Using a sum of these three measures of general benefit, we find that approximately 9.7% of the benefits conferred by the Improvements may be general in nature and should be funded by sources other than the assessment.

GENERAL BENEFIT =

$$\begin{aligned}
 & 2.0\% \text{ (OUTSIDE THE DISTRICT)} \\
 + & 2.7\% \text{ (INSIDE THE DISTRICT - INDIRECT AND DERIVATIVE)} \\
 + & 5.0\% \text{ (PUBLIC AT LARGE)} \\
 \\
 = & \mathbf{9.7\% \text{ (TOTAL GENERAL BENEFIT)}}
 \end{aligned}$$

Although this analysis finds that 9.7% of the assessment may provide general benefits, the Assessment Engineer establishes a requirement for a minimum contribution from sources other than the assessments of 10%. This minimum contribution above the measure of general benefits will serve to provide additional coverage for any other general benefits.

The Assessment District's total budget for maintenance and improvement of its parks and recreational facilities is \$81,658. Of this total budget amount, the District will contribute \$8,166 from sources other than the assessments for park maintenance and operation. This contribution by the District equates to approximately 10% of the total budget for maintenance and improvements and constitutes the amount attributable to the general benefits from the Improvements.

ZONES OF BENEFIT

The boundaries of the Assessment District have been carefully drawn to include the properties in El Dorado Hills Community Services District that are proximate to the Improvements and that would materially benefit from the Improvements. Certain other properties surrounding the District were excluded from the Improvement area because these properties are generally less proximate to the Improvements. In other words, the boundaries of the Assessment District have been narrowly drawn to include only properties that will specially benefit from the proposed Improvements, and would receive a lower level of service if the assessments were not approved.

The SVTA vs. SCCOSA decision indicates:

In a well-drawn district — limited to only parcels receiving special benefits from the improvement — every parcel within that district receives a shared special benefit. Under section 2, subdivision (i), these benefits can be construed as being general benefits since they are not “particular and distinct” and are not “over and above” the benefits received by other properties “located in the district.”

We do not believe that the voters intended to invalidate an assessment district that is narrowly drawn to include only properties directly benefitting from an improvement. Indeed, the ballot materials reflect otherwise. Thus, if an assessment district is narrowly drawn, the fact that a benefit is conferred throughout the district does not make it general rather than special. In that circumstance, the characterization of a benefit may depend on whether the parcel receives a direct advantage from the improvement (e.g., proximity to park) or receives an indirect, derivative advantage resulting from the overall public benefits of the improvement (e.g., general enhancement of the district's property values).

In the Assessment District, the advantage that each parcel receives from the Improvements is direct, and the boundaries are narrowly drawn to include only parcels that benefit from the Assessment. Therefore, the even spread of assessment throughout the narrowly drawn district is indeed consistent with the OSA decision. The benefits from the Improvements within the Assessment District do not vary further based on proximity of the parcels to the Improvements because the increased benefits of greater proximity to the Improvements are generally offset by a parallel increase in negative factors such as higher levels of traffic, noise, etc. that comes with increased proximity. Consequently, since all parcels in the Assessment District have good access and proximity to the Improvements and the benefits to relatively closer proximity are offset by other factors, additional proximity is not considered to be a factor in determining benefit within the Assessment District.

METHOD OF ASSESSMENT

As previously discussed, the assessments provide comprehensive Improvements that will clearly confer special benefits to properties in the Assessment District. The allocation of special benefits to property is partially based on the type of property and the size of property. These benefits can also partially be measured by the occupants on property in the Assessment District because such parcel population density is a measure of the relative benefit a parcel receives from the Improvements. It should be noted that many other types of "traditional" assessments also use parcel population densities to apportion the assessments. For example, the assessments for sewer systems, roads and water systems are typically allocated based on the population density of the parcels assessed. Therefore, the apportionment of benefit is reasonably based the type of parcel, the size of parcels and the population density of parcels.

The next step in apportioning assessments is to determine the relative special benefit for each property. This process involves determining the relative benefit received by each property in relation to a single family home, or, in other words, on the basis of Single Family Equivalent benefit units (SFE or "Benefit Units"). This benefit unit methodology is commonly used to distribute assessments in proportion to estimated special benefit and is generally recognized as providing the basis for a fair and appropriate distribution of assessments. For the purposes of this Engineer's Report, all properties are designated a SFE value, which is each property's relative benefit in relation to a single family home on one parcel. In this case, the "benchmark" property is a single family home, such properties are assigned one benefit unit which is one Single Family Equivalent 1 SFE.

In the process of determining the appropriate method of assessment, the Engineer considered various alternatives. For example, an assessment only for all residential improved property was considered but was determined to be inappropriate because commercial, industrial and other properties also receive direct benefits from the Improvements.

Moreover, a fixed or flat assessment for all properties of similar type was deemed to be inappropriate because larger properties receive a higher degree of benefit than other similarly used properties that are significantly smaller. (For two properties used for commercial purposes, there is clearly a higher benefit provided to the larger property in comparison to a smaller commercial property because the larger property generally supports a larger building and has higher numbers of employees, customers and guests that would benefit from proximity and improved access to well maintained and improved parks and recreational facilities. So the potential population of employees or residents is a measure of the special benefits received by the property.) Larger parcels, therefore, receive an increased benefit from the assessments.

Finally, the special benefits to be derived from the proposed assessments will be conferred on property and are not based on a specific property owner's use of the improvements, or a specific property owner's occupancy of property or the property owner's demographic status such as age or number of dependents. However, it is ultimately people who value the special benefits described above and use and enjoy the Assessment District's park and recreational facilities. In other words, the benefits derived to property are related to the average number of people who could potentially live on, work at, or otherwise could use a property, not how the property is currently used by the present owner. Therefore, the number of people who could or potentially live on, work at or otherwise use a property is one indicator of the relative level of benefit received by a property.

In conclusion, the Assessment Engineer determined that the appropriate method of assessment apportionment should be based on the type and use of property, the relative size of the property, its relative population and usage potential and its proximity to parks and recreational facilities. This method is further described below.

RESIDENTIAL PROPERTIES

Certain residential properties in the Assessment District that contain a single residential dwelling unit are assigned one Single Family Equivalent or 1.0 SFE. Traditional houses, zero-lot line houses and town homes are included in this category of single family residential property.

Properties with more than one residential unit are designated as multi-family residential properties. These properties benefit from the improvements in proportion to the number of dwelling units that occupy each property and the average number of people who reside in multi-family residential units versus the average number of people who reside in a single family home. The population density factors for the Assessment District, as depicted below, provide the basis for determining the SFE factors for residential properties. Using the total population in a certain property type in the area of the Assessment District from the 2000 Census and dividing it by the total number of such households, finds that approximately 2.73 persons occupy each single family residence, whereas an average of 2.29 persons occupy each multi-family residence. Using the ratio of one SFE for each single-family residence, which equates to one SFE for every 2.73 persons, 0.62 SFE would

equate to one multi-family unit or 0.62 SFE for every 2.29 residents. Likewise, each condominium unit receives 0.67 SFE, each Duplex, Triplex, Fourplex receives 0.72 and each mobile home receives 0.51 SFE.

Table 1 - Residential Population Factors

	<i>Total Population</i>	<i>Occupied Households</i>	<i>Persons per Household</i>	<i>Pop. Density Equivalent</i>	<i>SqFt Factor</i>	<i>Proposed Rate</i>
Single Family Residential	127,455	46,685	2.73	1.00		1.00
Condominium	3,350	1,435	2.33	0.86	0.48	0.67
Duplex, Triplex, Fourplex	7,272	2,888	2.52	0.92	0.52	0.72
Multi-Family Residential	9,167	4,010	2.29	0.84	0.40	0.62
Mobile Home	7,735	3,781	2.05	0.75	0.27	0.51

Sources: 2000 Census, El Dorado County

The single family equivalency factor of 0.62 per dwelling unit for multifamily residential properties applies to such properties with 20 or fewer units. Properties in excess of 20 units typically offer on-site recreational amenities and other facilities that tend to offset some of the benefits provided by the improvements. Therefore the benefit for properties in excess of 20 units is determined to be 0.62 SFE per unit for the first 20 units and 0.10 SFE per each additional unit in excess of 20 dwelling units.

COMMERCIAL / INDUSTRIAL PROPERTIES

SFE values for commercial and industrial land uses are based on the equivalence of special benefit on a land area basis between single family residential property and the average commercial/industrial property. The SFE values for various commercial and industrial land uses are further defined by using average employee densities because the special benefit factors described previously can be measured by the average number of people who work at commercial/industrial properties.

In order to determine employee density factors, the findings from the San Diego Association of Governments Traffic Generators Study (the "SANDAG Study") are used because these findings were approved by the State Legislature as being a good representation of the average number of employees per acre of land area for commercial and industrial properties. As determined by the SANDAG Study, the average number of employees per acre for commercial and industrial property is 24.

In comparison, the average number of people residing in a single family home in the area is 2.73. Since the average lot size for a single family home in the Assessment District is approximately 0.22 acres, the average number of residents per acre of residential property is 12.4.

The employee density per acre is generally 2 times the population density of single family residential property per acre (24 employees per acre / 10.80 residents per acre). Therefore, the average employee density can be used as the basis for allocating benefit to commercial or industrial property since a commercial/industrial property with 2 employees receives generally similar special benefit to a residential property with 1 resident. This factor of equivalence of benefit between 1 resident to 2 employees is the basis for allocating commercial/industrial benefit. Table 3

below shows the average employees per acre of land area or portion thereof for commercial and industrial properties and lists the relative SFE factors per quarter acre for properties in each land use category.

Commercial and industrial properties in excess of 5 acres generally involve uses that are more land intensive relative to building areas and number of employees (lower coverage ratios). As a result, the benefit factors for commercial and industrial property land area in excess of 5 acres is determined to be the SFE rate per quarter acre for the first 5 acres and the relevant SFE rate per each additional acre over 5 acres.

Institutional properties that are used for residential, commercial or industrial purposes are also assessed at the appropriate residential, commercial or industrial rate.

Table 2 - Commercial/Industrial Density and Assessment Factors

Type of Commercial/Industrial Land Use	Average Employees Per Acre ¹	SFE Units per 1/5 Acre ²
Commercial	24	0.50
Office	68	1.42
Shopping Center	24	0.50
Industrial	24	0.50
Self Storage or Parking Lot	1	0.05
Golf Course	3	0.063

1. Source: San Diego Association of Governments Traffic Generators Study.

2. The SFE factors for commercial and industrial parcels are applied by the fifth acre of commercial/industrial use land area or portion thereof. (Therefore, the minimum assessment for any assessable parcel in these categories is the SFE Units listed herein.)

VACANT/UNDEVELOPED PROPERTIES

The benefits to be received from the Improvements by vacant, undeveloped properties are passive benefits, which are generally not related to active use of the property. The benefit to undeveloped properties is determined to be proportional to the corresponding benefits for similar type developed properties, but at a lower rate due to the lack of active benefits conferred to undeveloped properties. A measure of the benefits accruing to the underlying land is the average value of land in relation to improvements for developed property. The benefit to vacant properties is determined to be proportional to the corresponding benefits for similar type developed properties. It is reasonable to assume that approximately 25% of the benefits are related to the underlying land and 75% are related to the day to day use of the property. Using this ratio, the SFE factor for vacant parcels is 0.25 per parcel.

OTHER PROPERTIES

Article XIIID stipulates that publicly owned properties must be assessed unless there is clear and convincing evidence that those properties receive no special benefit from the assessment.

All properties that are specially benefited are assessed. Other publicly owned property that is used for purposes similar to private residential, commercial, industrial or institutional uses is benefited and assessed at the same rate as such privately owned property.

Miscellaneous, small and other parcels such as roads, right-of-way parcels, and common areas typically do not generate significant numbers of employees, residents, customers or guests and have limited economic value. These miscellaneous parcels receive minimal benefit from the improvements and are assessed an SFE benefit factor of 0.

APPEALS OF ASSESSMENTS LEVIED TO PROPERTY

Any property owner who feels that the assessment levied on the subject property is in error as a result of incorrect information being used to apply the foregoing method of assessment may file a written appeal with the El Dorado Hills Community Services District Engineer or his or her designee. Any such appeal is limited to correction of an assessment during the then current fiscal year. Upon the filing of any such appeal, the District Engineer or his or her designee will promptly review the appeal and any information provided by the property owner. If the District Engineer or his or her designee finds that the assessment should be modified, the appropriate changes shall be made to the Assessment Roll. If any such changes are approved after the Assessment Roll has been filed with the County for collection, the District Engineer or his or her designee is authorized to refund to the property owner the amount of any approved reduction. Any dispute over the decision of the District Engineer or his or her designee shall be referred to the Board of Directors of the El Dorado Hills Community Services District, and the decision of the Board shall be final.

ASSESSMENT

WHEREAS, on February 10, 2011 the Board of Directors of the El Dorado Hills Community Services District adopted its Resolution Designating Engineer of Work, and Directing Preparation of the Engineer's Report for the El Dorado Hills Community Services District Lake Forest Park Landscaping and Lighting Assessment District;

WHEREAS, said Resolution directed the undersigned Engineer of Work to prepare and file a report presenting an estimate of costs, a diagram for the assessment district and an assessment of the estimated costs of the improvements upon all assessable parcels within the assessment district, to which Resolution and the description of said proposed improvements therein contained, reference is hereby made for further particulars;

NOW, THEREFORE, the undersigned, by virtue of the power vested in me under said Act and the order of the Board of the El Dorado Hills Community Services District, hereby make the following assessment to cover the portion of the estimated cost of said improvements, and the costs and expenses incidental thereto to be paid by the assessment district.

The amount to be paid for the Improvements and the expense incidental thereto, to be paid by the Improvement District for the fiscal year 2011-12 is generally as follows:

SUMMARY COST ESTIMATE

	<u>FY 2011-12 Budget</u>
Park Maintenance	\$81,658
Park Improvements	\$0
Contribution to/(from) Reserve Funds	<u>\$74,675</u>
Total Budget	\$156,333
Less:	
Beginning Fund Balance (7/1/11)	(\$100,354)
EDHCSD Contribution	<u>(\$8,166)</u>
Net Amount to Assessments	\$47,813

As required by the Act, an Assessment Diagram is hereto attached and made a part hereof showing the exterior boundaries of said Landscape and Lighting Assessment District. The distinctive number of each parcel or lot of land in the said Assessment District is its Assessor Parcel Number appearing on the Assessment Roll.

I do hereby assess and apportion said net amount of the cost and expenses of said improvements, including the costs and expenses incident thereto, upon the parcels and lots of land within said Assessment District, in accordance with the special benefits to be received by each parcel or lot, from the improvements, and more particularly set forth in the Cost Estimate and Method of Assessment hereto attached and by reference made a part hereof.

The authorized maximum assessment rate is subject to an annual adjustment tied to the Consumer Price Index-U for the San Francisco Bay Area as of December of each succeeding year (the "CPI") plus an additional 1%. As the amount of the annual increase in the CPI from December 2009 to December 2010 is 1.52%, the maximum authorized levy rate for fiscal year 2011-12 is 2.52% above the maximum levy rate for fiscal year 2010-11.

Including the authorized annual adjustment, the maximum authorized assessment rate for fiscal year 2011-12 is \$63.44. The proposed assessment rate for FY 2011-12 is \$25.00 which is less than the maximum authorized assessment rate.

The assessment is made upon the parcels or lots of land within the Assessment District in proportion to the special benefits to be received by the parcels or lots of land, from said improvements.

Each parcel or lot of land is described in the Assessment Roll by reference to its parcel number as shown on the Assessor's Maps of the County of El Dorado for the fiscal year 2011-12. For a more particular description of said property, reference is hereby made to the deeds and maps on file and of record in the office of the County Recorder of said County.

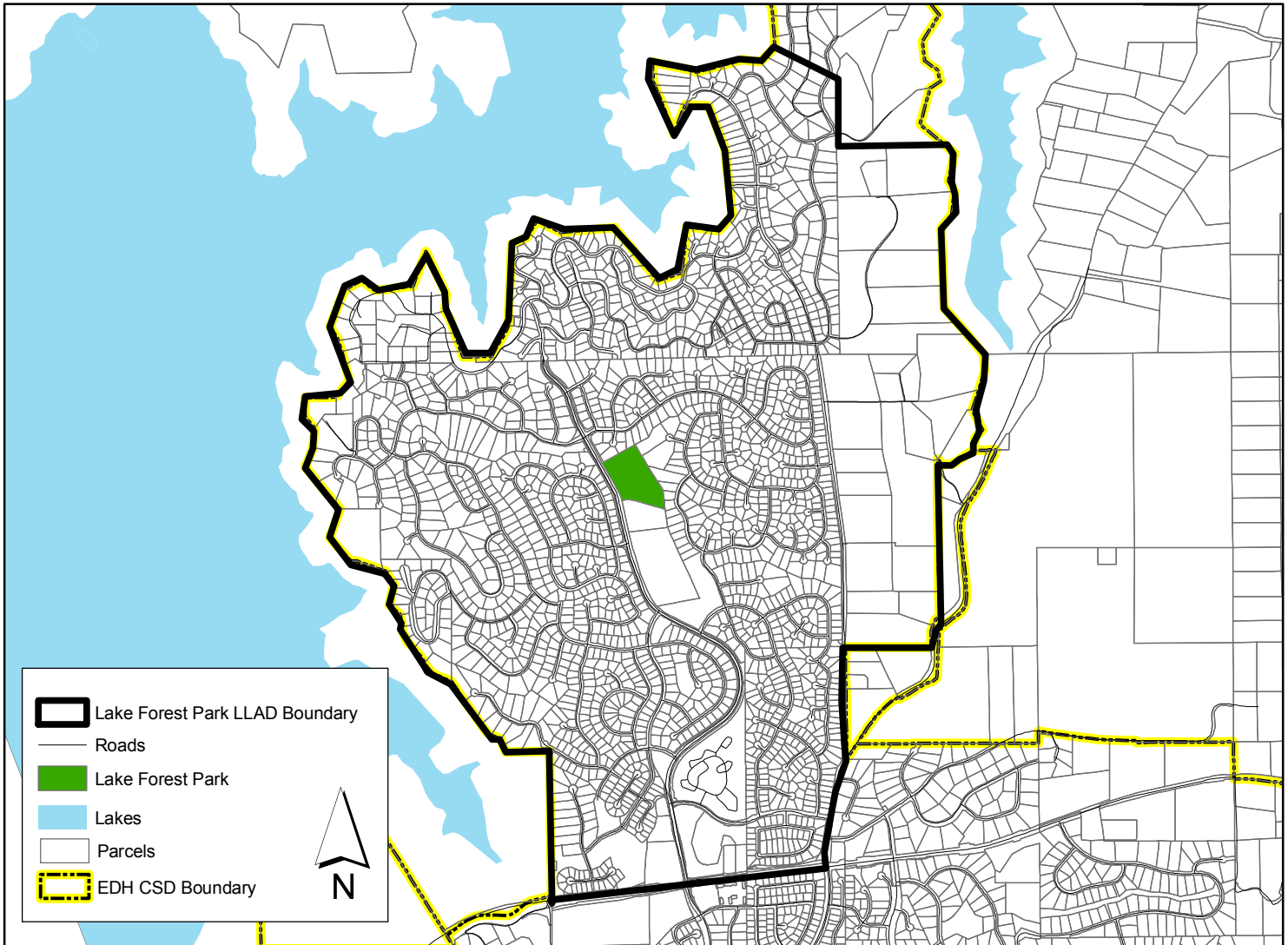
I hereby place opposite the Assessor Parcel Number for each parcel or lot within the Assessment Roll, the amount of the assessment for the fiscal year 2011-12 for each parcel or lot of land within the said Assessment District.

Dated: April 22, 2011

Engineer of Work

By _____
John W. Bliss, License No. C52091

El Dorado Hills Community Services District Lake Forest Park Landscape & Lighting Assessment District #36



NOTE: REFERENCE IS HEREBY MADE TO THE MAPS AND DEEDS OF RECORD IN THE OFFICE OF THE ASSESSOR OF THE COUNTY OF EL DORADO FOR A DETAILED DESCRIPTION OF THE LINES AND DIMENSIONS OF ANY PARCELS SHOWN HEREIN. THOSE MAPS SHALL GOVERN FOR ALL DETAILS CONCERNING THE LINES AND DIMENSIONS OF SUCH PARCELS. EACH PARCEL IS IDENTIFIED IN SAID MAPS BY ITS DISTINCTIVE ASSESSOR'S PARCEL NUMBER.

FILED AND RECORDED IN THE OFFICE OF THE SECRETARY OF THE BOARD OF THE EL DORADO HILLS COMMUNITY SERVICES DISTRICT, COUNTY OF EL DORADO, CALIFORNIA, THIS _____ DAY OF _____, 2011.

SECRETARY OF THE BOARD

AN ASSESSMENT WAS CONFIRMED AND LEVIED BY THE BOARD OF DIRECTORS OF THE EL DORADO HILLS COMMUNITY SERVICES DISTRICT ON THE LOTS, PIECES AND PARCELS OF LAND ON THIS ASSESSMENT DIAGRAM ON THE _____ DAY OF _____, 2011 FOR THE FISCAL YEAR 2011-12 AND SAID ASSESSMENT DIAGRAM AND THE ASSESSMENT ROLL FOR SAID FISCAL YEAR WERE FILED IN THE OFFICE OF THE COUNTY AUDITOR OF THE COUNTY OF EL DORADO ON THE _____ DAY OF _____, 2011. REFERENCE IS MADE TO SAID RECORDED ASSESSMENT ROLL FOR THE EXACT AMOUNT OF EACH ASSESSMENT LEVIED AGAINST EACH PARCEL OF LAND.

SECRETARY OF THE BOARD

FILED THIS _____ DAY OF _____, 2011 AT THE HOUR OF _____ . M. IN THE OFFICE OF THE COUNTY AUDITOR OF THE COUNTY OF EL DORADO, STATE OF CALIFORNIA AT THE REQUEST OF THE BOARD OF DIRECTORS OF THE EL DORADO HILLS COMMUNITY SERVICES DISTRICT.

COUNTY AUDITOR, FOR THE COUNTY OF EL DORADO,
STATE OF CALIFORNIA

El Dorado Hills Community Services District
Lake Forest Park Landscape & Lighting Assessment District
Assessment Diagram

APPENDIX A - 2011-12 ASSESSMENT ROLL

An Assessment Roll (a listing of all parcels assessed within the Assessment District and the amount of the assessment) will be filed with the Secretary to the Board of Directors and is, by reference, made part of this report and is available for public inspection during normal office hours.

Each lot or parcel listed on the Assessment Roll is shown and illustrated on the latest County Assessor's records and these records are, by reference made part of this report. These records shall govern for all details concerning the description of the lots or parcels.

Non-assessable lots or parcels include government owned land and public utility owned property.