

To: Sierra Park Property Owners  
From: The Ad Hoc Committee for CSD Formation  
Date: February 27, 2013

The information in this text box was learned after the writing of the February Ad Hoc Newsletter, see below. The information in the Newsletter is unchanged but we do want you to know the latest information we have available.

In late February, the Tuolumne Office of the County Counsel provided to LAFCo a list of issues it thought LAFCo should consider in its evaluation of CSD Application certification for Sierra Park. The Ad Hoc Committee in concert with the RA are researching the issues and determining what our response to them should be.

We will keep you posted.

Subject: February News – 2/9/13 Town Hall Follow Up

Despite the snowy/icy conditions in the Park, the turnout for this meeting was great!

The next major milestone in the SPCSD story is LAFCo's response to the Application and additional information it received - - we are eager to hear from them. Meanwhile, back at the Park, we continue the work toward a positive outcome.

As a result of last meeting's turnout, this is a most exciting Newsletter to write for lots of reasons – read on. But first let's start by answering a question that was asked at the end of the 'Nuts and Bolts' presentation on SPCSD Organization, Operation, and Budget.

The question was, " Who determines what the assessment (2013 – 2014) will be?"  
The short answer was, "We do."

The longer answer of course has to define who the 'WE' is and how the 'WE' would go about coming up with what the proposed assessment would be as derived from the development and approval (by property owner votes) of the annual budget.

Please see slide 4 of enclosed 2/9/13 presentation. For several contentious years now, a small group of disgruntled property owners has felt the Park was operating under a "them" (RA members) vs. "us" (everyone else) system, and has challenged the system in multiple ways. A lot of Park resources (including your assessment funds) have been spent on legal wrangling and costs, with very little to show for it.

The formation of a SPCSD relegates that scenario to the past – and the Park turns over a new leaf. The RA is ceding Park assets to the SPCSD, assuming it becomes a going concern, and with this arrangement will no longer operate the Park. Under the SPCSD there won't be any more 'us' or 'them' – there will only be "WE". The RA will no longer prepare the annual budget or collect the assessments – the SP (WE) CSD will. See more on how this is anticipated to work in the presentation slides and the little bit of narrative that follows here.

The SPCSD's annual budget will be prepared by your elected Board of Directors in concert with General Manager. As at this most recent Town Hall meeting, property owner input, not just to the budget/process, but all Park operations, will be heavily solicited – and listened to. As a matter of fact, when the audience at this Town Hall meeting was asked who had budget making/management experience many raised their hands. The Ad Hoc Committee, interim SPCSD BOD, and eventually the elected SPCSD board should and must draw on that experience as well as that of others in the Park to achieve at least three very important objectives: 1) make sure the annual budget accurately reflects the wishes of our COMMUNITY with respect to what and the level of services it wishes to receive, 2) protect the long-term viability of Park facilities and operations, and 3) ensure the costs to deliver those desired services are as reasonable as they can be. There will be more budget talk later in this Newsletter.

## **EXCITING**

The enthusiasm for SPCSD formation manifested itself in two very concrete ways at and around this Town Hall meeting. First, contributions for continued future communications (a hearty thanks to all who donated) are now available to make this and perhaps a few more mailings possible. We maintain that a well-informed community has the very best opportunity to make sound decisions for itself. Second, at the meeting we received commitment of volunteer support to assist the Ad Hoc and the interim BOD in the ongoing development of draft Charter documents (SPCSD Policies/Procedures and Election Guidelines), and budget development and vetting.

NOTE HERE FOR ANY CONCERNED: 100% of all contributions go directly to mailing costs; printing, envelopes, and labels.

## **MORE GOOD NEWS**

We are including in this mailing the presentation slides from the 2/9/13 Town Hall meeting and the Q&A that followed (from the Q's on the 3X5 cards handed in). This makes for a bulkier mailing but we feel at this point the more immediate and unbiased information the better. The presentation and Q&A are also posted on our website [www.sierraparkcsd.org](http://www.sierraparkcsd.org) for those receiving this via email.

Unfortunately, while the slides are for the most part fairly self-explanatory, the discussion that took place around them can't be included with them. And we will not be able to recreate it fully in this Newsletter. That being the case, anyone who would like clarification of a point on the slides please call Michael Lechner at 408-309-6015] and we'll get you a response, or send an email to the website and we will provide a response there that any one can go on line and read. All communication will remain confidential unless you specifically choose to include your name in the body of the email you send to the site.

## **MORE BUDGET TALK (refer to slides 19 – 23)**

In brief – we all know what the last 3-years of assessments have been. We also know that in 2012 the then existing OFSHA BOD returned to each property owner \$386 of the \$1024

2012-2013 assessment that had been collected to finance ongoing park operations the RA used reserve funds to cover the shortfall. These reserve funds are now depleted.

Slide 21 is an indication of the level of volunteer effort the RA BOD annually expends on making the park run smoothly. To the extent this kind of support continues to be received from property owners, these hours could be 'shaved' from the time a General Manager would have to spend on those activities – a cost containment strategy.

Slides 22 and 23 – much work remains to determine what the right amount would be to budget for water, roads, and GM. For the less expensive budget items, e.g., Refuse, Pine Needle, Common Area Maintenance, and Administration (slide 23) the 2012-2013 budget numbers were escalated at a factor of 3% to cover inflation.

A final comment on budgeting – slide 22. There are many of variables and decisions that go into making a sound budget. We solicited participation from the audience on what these might be. Here is a list:

- Inflation
- How much to build in for reserves (water, roads, other?)
- How to address long-term capital improvement project costs:
  - Water
  - Roads
  - Bridges
- Budget for elections
- GM Salary
- SPCSD collect assessments, or pay County to do this?
- Where and how to secure insurance
- How much is appropriate for:
  - legal expenses
  - professional consulting
  - accounting
- How to budget for bad debt collection

Much work remains in determining what the proposed SPCSD 2013 – 2014 annual budget/assessment will be. In any case, a 2013 – 2014 budget will be prepared, vetted, and presented to all property owners in advance of a property owner vote on SPCSD formation. Absent this information, a positive vote for formation could not be expected.

Hoping to hear from LAFCo soon. The adventure continues. . . . .

STAY TUNED – MORE TO COME.

ATTACHMENTS:

- 2/9/2013 Town Hall Slide Presentation
- 2/9/2013 Town Hall Question and Answers

## SIERRA PARK CSD

### Ad Hoc Committee Mission Statement:

*We are interested in the Park remaining as it is in the day-to-day use of the property, including park services and the things we all enjoy. Our goal is to develop a cost-effective operations and administrative structure that can support the Park and fairly represent every property owner.*

*It is our belief that a Community Services District (CSD) represents the best alternative to achieve this goal.*

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## ON TO A SIERRA PARK CSD

TOWN HALL MEETING

*February 9, 2013*

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## SIERRA PARK CSD

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- SPCSD NUTS AND BOLTS:
  - Organization Structure
  - Operation
    - Policies, Procedures, Rules and Regulations,
    - Election Guidelines
  - Budget / Process

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## SIERRA PARK CSD

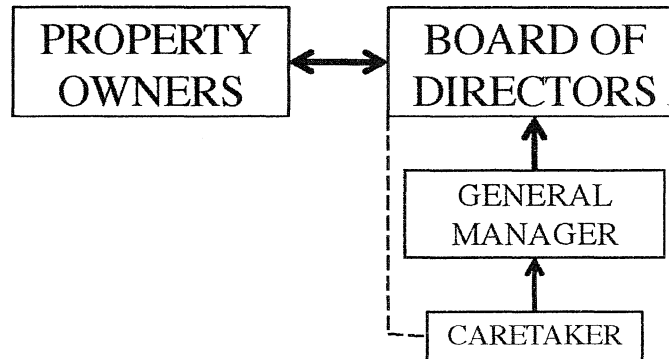
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- The Story of the SP (We) CSD.
  - As Opposed to 'Us vs. Them'

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## SIERRA PARK CSD

### ORGANIZATION STRUCTURE:



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## SIERRA PARK CSD

### OPERATION:

- Policies, Procedures (Internal)
- Rules and Regulations (External)

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## SIERRA PARK CSD

### **OPERATION – Continued:**

#### *How will elections be conducted:*

- *Elections will be conducted by Mail-in Ballots*
- *Mail-in Ballot elections happen in March, May or August*
- *Tuloumne County Election Official can conduct the elections or*
- *CSD can conduct the elections*

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## SIERRA PARK CSD

#### *What is a Mail-in Ballot:*

- *Ballots will be sent to landowners*
- *Information regarding assessments/ Candidates for the board will be sent prior to the ballots*
- *All ballots must be mailed early enough to be received by the end of the day on election day or they will not be counted.*

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## SIERRA PARK CSD

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### *What is a Mail-in Ballot- Continued:*

- . A voter can also bring his or her sealed ballot to the Park Lodge on election day and place it in the locked ballot box by 3:00 p.m..*
- . All landowners are welcome to be present for the count of ballots.*

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## SIERRA PARK CSD

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### *What will be voted on:*

- . The initial election will only pertain to the CSD formation.*
- . It will be a yes or no vote.*

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## SIERRA PARK CSD

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### *Subsequent Elections Will Pertain to:*

- . The Board of Directors must be elected*
- . Assessments will be voted on*

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## SIERRA PARK CSD

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### *Board of Directors*

- . There will be 5 Directors*
- . They will have 4 year term*
- . All Terms will be staggered*
- . Initially three terms will be for two years and two terms will be for four years*

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## SIERRA PARK CSD

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### *Who can be a Board Member:*

- . Only Landowners can be board members*
- . All candidates for the Board of Directors must be in good standing with the CSD*

*i.e. Current on assessments etc.*

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## SIERRA PARK CSD

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### *How Does a Landowner Become a Candidate For the Board?*

- A candidate for the board must submit information regarding his or her intention to be a candidate within 88 and 120 days of the election.*
- Fees will apply – must decide if CSD or candidates will pay for the costs of mailing initial campaign materials*

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## SIERRA PARK CSD

### *Campaigning:*

- . Candidates will campaign for the position*
- . Elaborateness of campaign will be at the discretion and expense of the candidate.*
- . There will be a forum for candidates to present their views and for landowners to support or oppose them.*

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## SIERRA PARK CSD

### *VOTING*

- . Landowners will vote*
- . One Vote Per Property*
- . There will be no proxy voting*
- . There will be no cumulative voting*

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## SIERRA PARK CSD

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### **BUDGET / PROCESS:**

- Services delivered over the years:
  1. Provide Water and System Maintenance
  2. Maintain, Repair Roads, Snow Plowing
  3. Refuse Collection and Disposal
  4. Pine Needle Management
  5. Maintain Common Areas
  6. Administration
  7. Recreation

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## SIERRA PARK CSD

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- Services to be delivered by SPCSD:
  1. Provide Water and System Maintenance
  2. Maintain, Repair Roads, Snow Plowing
  3. Refuse Collection and Disposal
  4. Pine Needle Management
  5. Maintain Common Areas
  6. Administration

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# SIERRA PARK CSD

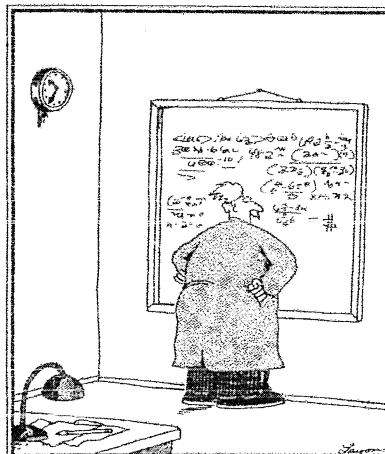
## Last Three Year's RA Budgets/Assessments\*:

COST CENTER	2010-2011	2011-2012	2012-2013	% OF TOTAL
Water			\$208,062	55%
Roads			\$96,760	26%
Refuse			\$16,543	4%
Pine Needles			\$11,271	3%
Common Areas			\$17,536	5%
Administration			\$25,664	7%
<b>TOTAL BUDGET</b>	<b>\$294,362</b>	<b>\$319,158</b>	<b>\$375,836</b>	<b>100%</b>
Assessment (364)	\$808.69	\$876.81	\$1,033	

\* Data from RA response to LAFCo request for 3 years of budget history.

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# SIERRA PARK CSD



Einstein discovers that time is actually money.

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## SIERRA PARK CSD

### Annual RA BOD Labor Contribution to Park:

What*	Hours
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- Caretaker
- Water
- Roads
- Buildings
- Equipment
- Gate
- Finance
- Health and Safety

TOTAL = Some where upwards of 50%

\* Excludes Time Relating to BOD Meetings and Recreational Activities.

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## SIERRA PARK CSD

### **WHAT WILL THE 2013-2014 ASSESSMENT BE?**

The short answer is we don't know yet.

**QUESTION - What are the likely SPCSD set-up and ongoing budget issues we are going to have to deal with?**

**Property Owner Exercise.  
Audience Participation.**

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## SIERRA PARK CSD

### Notional<sup>1</sup> SPCSD Budgets/Assessments:

COST CENTER	2013-2014	2014-2015	2015-2016	% OF TOTAL
Water	TBD			
Roads	TBD			
Refuse*	\$16,543	\$17,039	\$17,550	
Pine Needles*	\$11,271	\$11,609	\$11,957	
Common Areas*	\$17,536	\$18,062	\$18,604	
Administration*	\$25,664	\$26,434	\$27,227	
General Manager**	TBD			
<b>TOTAL BUDGET</b>	<b>\$71,014</b>	<b>\$0</b>	<b>\$0</b>	
Assessment (364)	TBD	TBD	TBD	

\* 2012-2013 Budget Number Escalated at 3% Each Year.

\*\* Anticipated to be a part-time position, no benefits.

<sup>1</sup> Actual proposed annual budgets to be prepared and presented to property owners for approval by vote.

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## SIERRA PARK CSD

### INTENDED INTERIM PARK OPERATIONS

(from time of LAFCO CSD approval to elected board):

- Interim Board of Directors (120 days)
  - Request LAFCO Appoint (From Ad Hoc Committee, RA members would serve as advisors)
  - Monthly Interim Board Meetings
  - Further Charter and Budget Refinement
  - Establish Permanent BOD Election Process
  - Conduct Election for BOD and Budget
- Fully Transition Operations (RA to CSD)

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# Sierra Park Community Services District

## Q & A From 2/9/13 Town Hall Meeting

**This Information and the presentation material from that meeting is posted on the website (sierraparkcsd.org)**

**Why was there no caretaker line item on the expenses spreadsheet?**

All cost center items for each line in the spreadsheet shown in the slides, e.g., Water, Roads, Pine needles, etc. did include caretaker costs (labor, payroll taxes, benefits), and other specific costs broken down in great detail. However, the intent of the spreadsheet was to just provide an overall, summed-up view.

**Did I understand you to say that capital improvement reserves were/are mandated by law for CSD's?**

To be clear – reserves are viewed by CSD budgeting guidelines as different from capital improvement programs or plans (CIP). Reserve line items, for water, roads or equipment, are 'earmarked' for unplanned events that need to be immediately addressed (burst line, failed valve, sink-hole in road). CIP 'earmarked' funds are those specifically identified and set aside for eventual planned upgrades to systems function/infrastructure. For example, SP has a recognized need to upgrade the water system to assure adequate firefighting capabilities. The water study identifies those needs over a 20-year time horizon, along with what those potential costs may be. It is not believed that CSD law mandates budget items.

**Who pays caretaker's salary? Will water be metered? Will assessments be the same for vacant lots and lots with homes?**

The RA currently pays the caretaker's salary out of the annual budget; in the future, that expense would fall to the SPCSD.

It is believed that if we self-govern ourselves (SPCSD), meters will not be necessary. In the event another entity took over the SP water system they would likely require water meters, meter reading, and billing accordingly. It is not immediately known what the meter installation cost and meter reading fee would be, but since that does not take place now, these costs would certainly add to the cost of water currently being supplied.

It will ultimately be up to the SPCSD BOD, as guided by property owner input, how to address the issue of assessments for vacant lots vs. built lots. As pointed out in the meeting, the issue of infrastructure fixed cost versus variable costs for service provision is at the heart of this matter.

**How close are we to the 2012-2013 budget? Proposed vs. actual?**

We assume this question refers to the 2013-2014 budget. The 2013-2014 budget is a work in progress, as noted in the meeting. An exercise to identify variables impacting budget prep was conducted and will be used with requested additional feedback from property owners to 'zero in' on a reasonable budget – much work remains. However, a proposed budget would be available to all well in advance of a vote on its adoption by the SPCSD.

**Has LAFCo helped manage a transition such as this for other organizations that we can leverage?**



Great question. The first guess would be probably not, since the process of vetting the possibility of a CSD is not an often experienced process in Tuolumne County. We would certainly ask them for any advice that might be of use to us in the undertaking. We might also tap into other sources (nearby CSDs) and know there is a statewide CSD organization with lots of experience in helping CSDs deliver services to their constituents.

**Has the Ad Hoc Committee met with a LAFCo supervisor about the application? Who determines what the assessment will be? For the CSD formation election, is only a simple majority necessary for its passage?**

Chris Kiriako and Michael Lechner of the Ad Hoc Committee met with LAFCo staff on December 13, 2012. We had hoped to meet this staff and a supervisor on February 8, 2013. However, a note from staff suggested documentation we provided earlier and material provided by the RA in response to LAFCo's request for additional information about the application was still under legal review. Their preference was to reschedule the meeting once the legal review was done so they could provide more timely and useful information. We await word from them.

The SPCSD per lot assessments, as in the past, will be based on the annual budget as determined necessary to deliver the services the community wants to receive. Also see fuller response to this question in the February Newsletter.

A simple positive majority vote is all that is required for CSD formation. The expectation is that all property owners will have the opportunity to vote.

**Define 'land-owner'. Is a family member considered a 'land-owner', would they be able to vote?**

A land-owner would be some one whose name is on the property deed or named in a trust in which the property is named. If we have a property-owner voter run CSD, *one person per property* would have to be named as the voting party. Only one person per property could be elected to and serve on the SPCSD BOD at time. That person would not necessarily have to be the voting party for the property. Details on this will be included in the SPCSD Policies and Procedure and Voting Guidelines.

**What might be the cost differential between the SPCSD conducting an election vs. having an election conducted by the County?**

Sorry we don't know the answer to this. There are strict election guidelines that must be followed which will cost money to comply with. Unless there are compelling reasons to do otherwise, we would expect the SPCSD BOD to employ the least-cost option.

**Will some form of legislation be initiated to make Sierra Park a land-owner voter district as opposed to a 'resident/registered voter in Tuolumne County' controlled entity?**

The Ad Hoc's analysis of this is that there is more than ample code already in CSD law to support a land-owner voter based district. The code references in support of this have been supplied by the Ad Hoc to the LAFCo.