

September 2, 2016

The Honorable Suzanne N. Kingsbury  
Presiding Judge of the El Dorado County Superior Court  
1354 Johnson Road  
South Lake Tahoe, CA 96150



**El Dorado Hills**  
COMMUNITY SERVICES DISTRICT

Dear Judge Kingsbury,

On behalf of the El Dorado Hills Community Services District (District), I am pleased to provide the following responses to the Grand Jury Report 15-03 LANDSCAPE AND LIGHTING ASSESSMENT DISTRICTS IN ELDORADO HILLS.

I have organized the District's responses in the order of the Grand Jury's seven sets of Findings (F) and Recommendations (R).

*F1/R1: Oversight of the LLAD assessment process is lacking. When assessments vary significantly from one year to another, the CSD should explain the rationale for the change.*

District Response #1: The oversight of the LLADs is a high priority for the District and there are several factors that go into the annual assessments for the uniquely situated LLADs. However, significantly more oversight is planned by way of the District's implementation of the Parks Superintendent position. As the District activates a new management position of Parks Superintendent this fiscal year (FY16/17), an increased capability for improvements in oversight of the LLADs will be in place. The District supports and will implement a clear set of LLAD annual budget notations to address the cited need for providing an explanation and rationale for any changes.

All proposed changes have been presented in staff reports at the District's standing committees and board meetings as well as posted as public hearing notices on the District website in accordance with our established practices. The public will have ample opportunity to review and comment on any proposed changes to LLAD assessments.

*F2/R2: Assessments vary significantly from year to year with little or no rationale provided for the changes. The CSD should continue its recent efforts to accurately record costs by LLAD and determine a more equitable way to allocate overhead.*

District Response #2: As stated in the District's Response #1, we remain committed to significant improvements in the budget management of all LLADs. It is true that assessments can vary from year to year depending on the elements and/or amenities contained in each LLAD and the changing expenses for maintenance, repair or replacement of these elements. The District will continue our recent efforts to capture accurate actual costs associated with each LLAD.

The District Board has authorized a new Overhead and Cost Allocation Study to be conducted in FY 16/17. The study will suggest any changes or improvements identified to determine if overhead allocations are fair and equitable or if another formula should be considered. If any changes were recommended, they would be presented to the District's Board of Directors for ultimate approval to any changes to LLAD overhead allocations.

*F3/R3: The total fund balances are growing year over year. Some LLADs have fund balances of nearly 400% of expected expenses with no explanation as to why such large balances are warranted or necessary. Excessive fund balances should be reduced to a more acceptable percentage of expected future costs.*

District Response #3: While it is accurate to find some of the LLAD fund balances have grown significantly over time, it is not accurate to find there is no explanation for these larger balances. Many LLAD fund balances increase over time *in anticipation* of sizeable projected replacement costs for significant landscape and lighting elements or site improvements such as fencing, walls, entry monuments, major plantings, irrigation systems, etc. The District's Browning Reserve is a study that charted a planned schedule for replacement and associated expenses of such work over time. Without a gradual and methodical buildup of funds over time, many LLADs would be hit with expensive one-time, yet eventually recurring, significant replacement or renovation costs. The study explains and provides justification for these funds.

Notwithstanding, the District is committed to conduct a budgetary examination of LLADs with seemingly excessive fund balances in its upcoming Overhead and Cost Allocation Study. New District software for budget management can be programmed to alert staff responsible for LLADs as to anomalies in fund balances over time that could trigger any necessary reassessment of the portions of assessments directed to planned replacements. Fair and equitable reductions to assessments would be considered whenever fund balances increase beyond reasonable and scheduled replacement funding needs.

Furthermore, when the higher fund balance is no longer needed, the District has taken steps in the past two years to decrease the projected LLAD assessment, in some cases up to a 50% reduction in an effort to address fund balances that are currently undesignated for anticipated asset replacement & maintenance, or other operating costs.

Instances where larger set aside budgets for projected replacement expenses are identified, the District will take necessary steps to explain and justify the need for larger fund balances. Similar to the District's Response #1, the District will maintain a proactive communication model for LLAD budget transparency with opportunities for the community to review and comment on any assessment changes.

*F4/R4: CSD employees were not forthcoming with the grand jury particularly when questioned about the fund balances and the characterization thereof- reserves versus surpluses. The CSD should fully comply with the provisions of Section 22660 of the Landscaping and Lighting Act and clearly disclose in a resolution when an LLAD is accumulating funds for future expenditure that is too costly to be paid out of a single year's assessment.*

District Response #4: Given the Grand Jury's admonishment to each witness that he or she is not allowed to discuss the subject matter or details of the Grand Jury's investigation, the District is significantly hampered in being able to thoroughly respond to the finding that its employees were "not forthcoming" in their respective responses. It is the District's expectation that all of its employees respond with transparency when addressing CSD funds, including its LLAD fund balances.

The District complies in full with the provisions of Section 22660 of the Landscaping and Lighting Act in all of our current and past practices. The creation and adoption of resolutions at the District Board of Directors level will occur when necessary to remain in full compliance.

All LLADs are structured with the realization that funding for large future expenditures should be gradually built up over a time schedule as a reserve to meet the projected schedule for replacement work.

*FS/RS: Allocation of CSD overhead among the LLADs does not have an ascertainable rationale. Budgeted expenses and allocated overhead costs are inconsistent and vary widely between LLADs. Tracking actual costs by LLAD is problematic. A new reserve study should be undertaken to insure assets and replacement costs are accurately portrayed and a mechanism put in place to track repairs, additions, replacements and retirements.*

District Response #5: As stated previously and in the District's responses above, a new overhead and cost allocation study will be underway in this fiscal year. If need be, overhead costs will be recalibrated. However, history has proven that much of the administrative overhead and related expenses are very similar between LLADs regardless of overall budget size or assessment district complexities. Hence the proportionality of the overhead expenses can seem outwardly to be skewed towards a higher amount for the smaller LLADs.

It can be viewed that the budgeted expenses and allocated overhead costs, across the wide variety of scale and scope of amenities and site improvements of the LLAD, vary widely. The District does not dispute that finding but will note that no two of the LLADs that the District is responsible for are identical. Rather, they reflect the signature qualities and unique nature of each neighborhood as they were developed over time. Many of the comments from the Grand Jury are accurately reflecting the wide and varying nature of all of the LLADs within the District.

The District does not agree with the statement that "tracking actual costs by LLAD is problematic." The District has instituted a consistent and accurate process of capturing actual costs relating to all aspects of landscape and lighting assessment district expenses. GPS tracking equipment has been installed on District vehicles to exact mileage and staff time to be assigned to each LLAD receiving maintenance work and supervisory attention. Similarly, fuel and utility costs such as water and electricity are now tracked precisely for each LLAD. A new reserve study will be undertaken to insure assets and replacement costs are accurately portrayed. The District utilizes the Browning Reserve Study as a guide for budget development and management for the assets in place to track repairs, additions, replacements and retirements of elements related to each LLAD.

*F6/R6: The SCI Engineers and Browning Reserve Group reports contain very obvious errors and/or misstatements that need to be examined by CSD staff with a critical eye toward detail. The LLAD Engineer's report should be reviewed by staff for accuracy and should be posted to the CSD website for public review for a reasonable period before adoption by the EDH CSD Board of Directors.*

District Response #6: The District staff has reviewed all aspects of the SCI Engineers and Browning Reserve Group reports with a critical eye toward details. If there are 'obvious errors

and/or misstatements" that the Grand Jury requests be reviewed and possibly corrected, a specific list of these concerns would assist the CSD with such a task.

In the future, the District will commit to post such reports on the District website for public review, with a reasonable comment period, prior to an eventual scheduled District Board of Directors meeting that would contain an agenda item for a public hearing prior to any discussions that would lead to an eventual adoption of said reports.

District staff will be receiving additional training in areas of management practices and budget planning and monitoring in a concerted effort to address the expressed concerns over the need for a more critical eye towards detail and accuracy.

***F7/R7: Fees collected by the CSD for usage of improvements within various LLADs are put into the CSD general fund and not used to offset LLAD expenses for maintaining those improvements. The EDH CSD Board of Directors should consider the formation of a citizen's advisory group composed of residents in LLADs to review budgeted and actual costs while providing guidance to the board.***

District Response #7: This finding is not entirely accurate. The funds collected from various park user fees such as picnic shelter reservations, tennis and bocce ball class participation fees, and athletic field rental income are deposited into the District's General Fund to offset the significant General Fund subsidy of the two LLADs where some revenue is realized. Those two LLADs are Promontory and Lake Forest Park. From the General Fund source, these revenues do indeed help offset the expenses for maintaining the park improvements.

In the case of Promontory Park, as a Community Park by definition, size and complexity, the General Fund subsidizes the maintenance budget and overhead expenses by approximately 75%. The proportionality of the LLAD funding is justifiable for the direct benefit of the properties being assessed. For Lake Forest Park, the General Fund subsidizes the park's maintenance budget and overhead expenses by approximately 10%. LLAD contribution towards the overall park maintenance budget and overhead expenses are not placed into the District's General Fund.

The County collects assessments on the District's behalf and records the funds for each LLAD in individual accounts. The County transfers the monies collected for the LLADs to the District three times per year. Once the District receives this assessment revenue, it is placed in individual restricted funds created for each of the LLADs. These funds are used to offset LLAD expenses for the maintenance of the improvements identified and budgeted with EDH District Board of Directors approval. Again, it should be noted that the District General Fund contributes a significant amount of funding towards the overall maintenance budgets of these two parks that realize some user fee revenue. Promontory Park receives a General Fund subsidy of 75% and Lake Forest Park receives a General Fund subsidy of approximately 10%.

During the course of each fiscal year, there is a monthly transfer of funds from each LLAD to the District General Fund to cover administrative overhead.

The District offers regular opportunities for public review and comment on all aspects of budgets, including LLADs, at the monthly Administration and Finance Committee and regular

board meetings. The District would take into consideration the recommendation for the formation of a citizen's advisory group.

Thank you very much for your attention to these important matters relating to the Grand Jury investigation of the El Dorado Hills District LLADs. Please contact me if you have any questions or find you need additional information.

Best regards,

A handwritten signature in blue ink, appearing to read "Terry", with a long horizontal flourish extending to the right. A small number "1" is written at the end of the flourish.

Terry Crumpley, CPA  
District Board President

Cc: El Dorado Hills CSD Board of Directors  
Kristianne Seargeant, District Counsel