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ROSSMOOR COMMUNITY SERVICES DISTRICT
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July 10, 2012

The Honorable Thomas J. Borris
Presiding Judge of the Superior Court
700 Civic Center Drive West
Santa Ana, CA 92701

Honorable Presiding Judge Borris:

Pursuant to Penal Code Sections 933(c) and 933.05, attached is the written response of the Rossmoor Community Services District (the "District") to the findings and recommendations made by the Grand Jury in its report entitled "'Let There Be Light' – Dragging Special Districts from the Shadows" (the "Report"). These responses were approved by the District's Board of Directors at its regular meeting of July 10, 2012.

The Grand Jury's Report represents the latest in a growing chorus of voices expressing concern with the perceived lack of oversight of the large number of special districts throughout the state. While there may be legitimate cause for concern in some cases, the Report takes an overly broad approach, casting all special districts in an equally negative light without regard to their individual size, function, or history. Further, community service districts are completely different in character than enterprise districts insofar as they are designed to provide community services in unincorporated areas in a local, accountable, accessible and transparent manner. As the Report acknowledges, special districts throughout the County vary widely in their size and with respect to the nature of the services provided. Annual budgets range from \$135,000 on the low end, all the way to \$159,100,000. (Report, Table 2.) For these reasons, the District respectfully suggests that concerns regarding the oversight of special districts are best addressed on a case-by-case basis.

The District's responses are divided into three sections. Section I includes the District's responses to the Grand Jury's findings as required by Penal Code section 933.05(a). Section II includes the District's responses to the Grand Jury's recommendations as required by Penal Code section 933.05(b). Though not legally required, Section III includes responses to additional selected statements from the body of the report which the District felt were worthy of comment.

Sincerely,

Henry Taboada
General Manager
Rossmoor Community Services District

ROSSMOOR COMMUNITY SERVICES DISTRICT

RESPONSE TO GRAND JURY REPORT:

“LET THERE BE LIGHT” DRAGGING

SPECIAL DISTRICTS FROM THE SHADOWS

SECTION I: RESPONSES TO FINDINGS

Finding 1 (F1). “Most Orange County special districts, with or without the assistance of the Local Agency Formation Commission (LAFCO), have been incapable or unwilling to consolidate, absorb, eliminate these outmoded and/or redundant agencies. LAFCO typically addresses larger issues such as merging of cities and elimination of ‘islands’ within the county. The special districts themselves have not worked seriously toward their consolidation or demise. In this regard, the enterprise special districts and the non-enterprise special districts require independent evaluation and handling.”

Response: The District has insufficient knowledge or information to respond to this broad finding. Speaking only for itself, the District serves a limited but useful purpose for the Rossmoor community and the residents of the District have historically resisted incorporation or annexation. Rossmoor is a discrete community of interest, separate and distinct from adjacent cities. It is conceivable that a more favorable climate for incorporation will develop in the future.

F2. “Special Districts have made very little progress in complying with the recommendations made by various governmental agencies. To ensure recommendations are followed, more coordination is needed from the city and county agencies.”

Response: The District is unaware of any such recommendations made or not followed.

F3. “Most non-enterprise special districts of Orange County have outlived their purpose and usefulness. Services that were only available through the special districts are now being provided by the surrounding cities and expanding county.”

Response: The District has insufficient knowledge or information to respond to this broad finding. Speaking for itself, Rossmoor is a unique community of approximately 10,500 residents who possess a powerful historic community identity. The District provides only the following limited services: parks and recreation services, street sweeping, street lighting, parkway tree maintenance, and installation and maintenance of median landscaping. The District provides these services in a cost-efficient manner and the degree of local control made possible by the District allows those services to be precisely tailored to the local community character and needs. For example, Rossmoor’s “urban forest” is among its most defining characteristics and is of great importance to the community. The District provides the services necessary to maintain the urban forest in a tailored, responsive, and efficient in a manner that

would not be possible if similar services were provided by a much larger bureaucracy serving a larger geographic area.

F4. “The eleven non-enterprise special districts in Orange County founded before 1965 have outlived their purpose and usefulness. The services that were unavailable from cities and county have long since been made available as both the cities and county grew. Some of these special districts could be removed from the county tax rolls, and their services funded and absorbed by the county, surrounding cities or homeowners association where they abide.”

Response: The District has insufficient knowledge or information to respond to this broad finding. Speaking for itself, the District, formed in 1986, was created for the purpose of providing and continues today with equal relevance to provide a discrete palate of services at a local level. The more localized control of the services increases accountability and results in higher quality, more reliable services that are tailored to the community’s unique character and needs. The services are provided in an effective and cost-efficient manner.

F7. “The unrestricted reserves of the special districts are available to the governing boards to spend as they please. Local citizens are not openly informed of this wealth when agencies ask for fee increases, special assessments, or bond measures. Most of the special districts do not appear to have specific criteria for amassing these reserves nor do they have published long-range plans for their constructive use.”

Response: The District has insufficient knowledge or information to respond to this broad finding. Speaking for itself, the District’s unrestricted reserves are primarily used to fund capital improvements undertaken by the District and to pay down debt obligations. District expenditures are approved in accordance with all applicable laws during an open session at a publicly-noticed, televised Board meeting. The District has only two bond assessments which were approved in 1992 and 1998. Furthermore, any fee imposed by the District is done so in compliance with all applicable laws, including Proposition 218 and Proposition 26, both of which place strict limitations on the ability of a public agency to impose new or increased fees.

F8. “The twenty-seven special districts in Orange County have amassed unrestricted reserves of over \$866,000,000. That is enough money to fund all of these special districts for more than year [sic] without taxes, fees, interest, or other sources of income. The boards of directors have the sole discretion to spend these unrestricted reserves.”

Response: The District has insufficient knowledge or information to respond to this broad finding. Speaking for itself, the District currently has total unrestricted fund balances of only \$885,396. As stated in response to previous findings, the District’s unrestricted reserves have historically been devoted to capital improvement projects within the District. All of the project expenditures are considered and approved in an open and public forum in accordance with all applicable laws.

F10. “The enterprise special districts could save millions of dollars in administration costs by consolidating into regional special districts. Five or six such enterprise special districts within Orange County could save at least \$500,000 per year for each special district absorbed.”

Response: This recommendation does not apply to the District as it is a non-enterprise special district.

F12. “The community services that the original non-enterprise special districts provided can be provided by the surrounding cities and the county that have engulfed these districts. Continuing to collect taxes for these special duplicative services is a disservice to both the community they serve and the surrounding communities that provide the same or similar services.”

Response: Disagree. The District provides its services in a very cost-efficient manner and the degree of local control made possible by the District allows those services to be precisely tailored to the local community’s unique character and needs. Residents of the District receive higher quality, more efficient, and more responsive service than they would if the similar services were provided by a larger government bureaucracy. The more localized nature of the services also translates into more efficient and responsive service. The locally-elected board members are closer to the constituents they serve and, consequently, more accountable.

F14. “The true cost of water and sanitary sewers in the enterprise special districts is hidden when both taxes and fees fund these districts. Only when the monthly service bills to the customers include all costs for these services without the tax subsidy will the public understand the true cost of these services and achieve financial transparency.”

Response: The District does not provide water or sanitary sewer services. Therefore, this finding is not applicable to the District.

F15. “Only one of the special districts, the South Coast Water District, has had recent performance audits. The lack of performance audits for the remaining special districts leaves the potential for inefficiencies, poor practices, outmoded operations, etc. hidden from the governing boards and the communities they serve. The lack of published performance audits has contributed to the public’s ignorance of these districts.”

Response: The District has insufficient knowledge or information to respond to this broad finding. Speaking for itself, while performance audits can be –valuable tools for assessing the effectiveness and efficiency of various types of organizations, agencies, and programs, the suggestion that they are equally appropriate for all types of special districts is not well taken. The Rossmoor Community Services District is a small agency that provides a limited scope of services. It in no way resembles the large governmental bureaucracies that require regular performance evaluations in order to identify and remedy inefficiencies and ineffective operations. (E.g., the District only has only six full-time employees and a few part-time employees.) It is highly unlikely that the cost of a performance audit for a district of this size would yield any meaningful benefit. However, the District does agree that as the size and scope of

a governmental agency increases, the more likely it is that the agency may benefit from periodic performance audits.

SECTION II: RESPONSES TO RECOMMENDATIONS

R1. “All special districts (except the Vector Control District and the County Cemetery District) should be eliminated from the county tax rolls and should rely on fees or the services of surrounding governments.”

Response: The recommendation is not warranted or reasonable insofar as it applies to the Rossmoor CSD. The District provides quality services to the community in an efficient and economical fashion. Those services are entirely funded through the existing property tax. The imposition of new fees on property owners to pay for services that are currently funded through the existing property tax would amount to double taxation.

R2. “Community services districts should be absorbed either in cities surrounding them or into private homeowners associations. Each community service district should meet with LAFCO and with the appropriate city or homeowner’s association to develop plans and schedules for the future of these special districts. This meeting should take place before September 30, 2012.”

Response: The recommendation is not warranted in the case of the District and, consequently, will not be implemented. The residents of Rossmoor have repeatedly rejected efforts that would have resulted in the elimination of the District. Residents of the District receive higher quality, more efficient, and more responsive service than they would if the similar services were provided by a larger government bureaucracy. The Rossmoor Homeowners Association already works with the District on matters outside the jurisdiction of the District; however, the Association is not capable of assuming the services provided by the District either financially or managerially.

R6. “Special districts should adopt ‘board of director’s practices’ for all their reserves, restricted and unrestricted. All reserves should be classified in their 2013-14 budgets according to GASB Standard No. 54. LAFCO should work with the special districts to prepare standard criteria for accumulating reserves according to the new classifications by December 15, 2012. These standards should be used in preparing the 2013-2014 budgets.”

Response: It is unclear what the Grand Jury means by “board of director’s practices.” All of the District’s reserves are managed in accordance with all applicable laws. With respect to GASB Standard No. 54, the recommendation has not been implemented but will be implemented beginning in the upcoming 2013-14 budget cycle.

R7. “Excessive unrestricted reserves should be used to reduce existing debts.”

Response: While the Rossmoor CSD does not have what could reasonably be described as “excess” reserves, the District has used its restricted reserves to pay down debt, most recently allocating \$495,000 to pay down debt obligations. In addition to paying down debt, a sizeable portion of unrestricted

reserves are annually transferred to the District's Capital Improvement Fund 40 for capital projects. This is the only source of funds for capital improvement projects within the District.

R8. "Each special district should have an independent performance audit at least every three years... Each of the special districts that has not had a performance audit within the last five years should contract with an independent outside consultant to conduct such an audit during 2012."

Response: Given the very limited size of the District and the limited scope of services it provides, this recommendation is not warranted or reasonable and will not be implemented. As discussed more fully in the District's response to Finding 15, *supra*, the District believes that a one-size-fits-all approach to a performance audit requirement is unwarranted. As stated in the Report, district budgets range from \$135,000 to \$159,100,000. Districts like the Rossmoor CSD with small annual budgets and a limited scope of services are not of the size and scope that would likely benefit from a performance audit.

R9. "Each special district should contribute 1% of its unrestricted reserve fund to LAFCO to help finance preparing and directing the consolidation, absorption, or elimination, and setting of standards for reserves for the special districts."

Response: The recommendation has already been partially implemented. The District already helps fund the operation of OC LAFCO with an annual assessment. Moreover, the cost of any application to LAFCO for any reorganizational issue is paid for by the agency applying for the change. The District paid over \$140,000 in 2008 for the Rossmoor community's effort to consolidate.

SECTION III: RESPONSES TO SELECTED STATEMENTS IN THE BODY OF THE GRAND JURY REPORT

SUMMARY - Page 2

Statement: "All taxes for special districts... should be made transparent by specifically showing them separately within the 1% property tax bill sent by the County." "The taxpayer deserves to know where taxes are being allocated."

Response: Since it is the County that prepares the tax bill, this matter should be addressed to the County. Rossmoor's tax bills do differentiate between property tax, lighting assessment and two bond assessments. Moreover, the District prepares an annual budget which specifically allocates revenues to distinct expenses for services. The budget process includes a public hearing for the public to comment on the District's budget.

COMMUNITY SERVICE DISTRICTS - Page 9

Statement: "Rossmoor Community Services District---1986 (limited to parks & recreation, security services and street maintenance & repair)".

Response: The Rossmoor Community Services (District) provides the following services: Parks, recreation, street trees, street sweeping, street lighting, facility maintenance & rental. The District does not provide security services or street maintenance and repair services.

SPECIAL DISTRICT BUDGETS, ASSETS, TAXES & FEES - Page 13

Statement: “Non-enterprise special districts that have unrestricted reserves greater than their annual budget ... Rossmoor Community Services District”

Response: The statement is incorrect. The District’s Total Budget for FY 2010-2011 is \$1,471,271 versus unrestricted reserves of \$885,396.

WHAT ARE OTHERS SAYING ABOUT SPECIAL DISTRICTS? – Pages 17-18

Statement: “...these governments (independent special districts) that are physically closest to their communities are oftentimes unknown to the people they serve...”

Response: The Rossmoor Community Services District provides a variety of direct services to the Rossmoor community. The Board of Directors meets monthly, often with special meetings in between, conducts numerous committee meetings on specific items, posts all meetings in accordance with the Brown Act, televises all monthly meetings, sends a quarterly newsletter to all residents and posts matters of interest on its web site, uses Facebook, Twitter and YouTube to communicate with residents and uses email blasts to any resident who subscribes to the District’s database. Moreover, the District serves as a conduit for services provided by the County, directing residents to appropriate offices, including utilities and other governmental agencies.

If residents of the District are ever unhappy or unsatisfied with any service the District provides, or otherwise wish to communicate directly with the members of the governing board or the District’s general manager, they do not have far to go. The closer the responsible officials are to the constituents they serve, the more accessible, accountable, and responsive they are. This has been the experience of the District.

SUMMARY OF FACTS – Pages 22-25

Statement: “15. Sixteen Orange County special districts have unrestricted reserves exceeding their annual budget. These special districts are: ... Rossmoor Community Service(s) District”

Response: The statement is incorrect. The District’s Total Budget for FY 2010-2011 is \$1,471,271 versus unrestricted reserves of \$885,396.

Statement: “19. The 1% property tax on the annual secured tax bill to property owners does not provide details of the agencies portion. This hides from the taxpayer the allocation made to the various county funds and special districts.”

Response: Rossmoor residents' tax bills reflect the separate amounts allocated for property tax, lighting assessment, and Rush Park and Wall assessments. In any event, because the County prepares its tax bills, this matter is more properly addressed to the County.