



SMRPD's Mission Statement - "To promote community well being through programs and activities that protect, preserve and enrich the canyons' heritage, open space and unique way of life."

P.O. Box 8, Silverado California 92676 • www.smrpd.org

January 22, 2013

Thomas J Borris, Presiding Judge
Orange County Superior Court
700 Civic Center Drive West
Santa Ana, CA 92701

RE: Response of Silverado Modjeska Recreation and Park District to Orange County Grand Jury Report "Let There Be Light"

Dear Honorable Judge Borris,

To begin, please allow me to personally be frank. I do not mean any disrespect to you or the Court. This has been a painful and thoroughly un-satisfying experience. I was sent by my board to meet with the Grand Jury in order to get our input on their draft report. With no preparation for what we were being asked to do, we were instructed to write comments in the margins of the report. We were not offered a chance to ask questions or discuss the findings and recommendations, and how these generic ideas were applicable, or not, to our District. I spent half a day in this endeavor and upon receiving the report, noticed that my comments made no difference in the report's outcome. The Grand Jury appears to have made no effort to address comments which did not apply to our District. As one new to public service, I had expected the Grand Jury would contact our district to discuss the comments in order to help our district provide better services to our stakeholders. Not a word was heard except the demand for this response. I apologize to you for not getting these responses to you sooner.

SMRPD Response to "Let There Be Light- Dragging Special Districts from the Shadows"

The Board of Directors of the Silverado Modjeska Recreation and Park District (SMRPD) recognize that the Grand Jury serves a valuable function of our county by representing the citizens on issues related to local government. Having reviewed the Grand Jury Report titled "Let There Be Light- Dragging Special Districts from the Shadows", the SMRPD Board of Directors have prepared the following responses.

The Silverado Modjeska Recreation and Park District (SMRPD) was formed under the State of California in 1961, to provide recreation, park and other limited services to the remote

county unincorporated communities of Silverado, Modjeska, and Williams canyons. The SMRPD operates on a very small annual budget of approximately \$100,000 per year while managing and operating two separate community center buildings and two park locations, along with a special enterprise children's daycare for community families. The special enterprise "Silverado Children's Center" occasionally runs a negative balance and relies on fundraising activities to survive, but is a crucial asset to the community and is kept in operation by the SMRPD. The five SMRPD directors receive a \$50 monthly stipend for attendance at monthly meetings. The minimal staff includes 1) a part-time recording secretary, 2) a part-time bookkeeper, and 3) a part-time onsite caretaker, who also works as the agency's handyman. The SMRPD has no reserves. At this time we have about \$100,000 in our bank account to fix and replace park equipment, do building maintenance, and use as special enterprise back-up funding. Any financial needs that cannot be met through the annual budget are met through grants proposals and donations. The vast majority of the work performed is done through volunteers who work to make their community a better place to live. The degree of community volunteer engagement and value of services provided by this remote district could not be matched with paid staff of an outside agency such as the County of Orange, or any other local agency at the current cost to the community. For these reasons and more, we'd like the Court and the Grand Jury to reconsider many of the "Findings" and "Recommendations" set forth in the Grand Jury Report with respect to the SMRPD. Please find our detailed responses to the report below.

FINDINGS:

Grand Jury Finding 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, or 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.

SMRPD Response to F1:

The SMRPD was established under State Law in 1961 as an independent special district to provide for specific needs of the remote unincorporated communities of Silverado, Modjeska, and Williams canyons which lie within the foothills of the Santa Ana Mountains and are remote from similar county offered services. The SMRPD is neither "outmoded" nor "redundant" but rather unique and necessary. The district currently serves as the only elected local government agency serving the canyon communities. LAFCO's Municipal Service Reviews "MSRs" addressed the topics set forth in Government Code Section 56430 and found no issues with regard to SMRPD provision of services. We do not believe that OC Parks or any other agency could provide the services and community engagement that we provide. It would have been nice if the Grand Jury had evaluated and handled our district independently.

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Grand Jury Finding 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 and cooperation is needed from the city and county agencies.

SMRPD Response to F2:

The SMRPD strongly disagrees with this conclusion. LAFCO’s response to the Grand Jury Report states “LAFCO believes that each special district should be evaluated on its own with clearly defined and mutually agreed upon criteria to evaluate its efficiency and effectiveness.” The SMRPD makes a conscious effort to comply with known recommendations when appropriate and works closely with other county agencies.

Grand Jury Finding F3. Most non-enterprise special districts in Orange County have outlived their purpose and usefulness. Services that were once only available through the special district are now being provided by the surrounding cities and the expanding county.

SMRPD Response to F3:

SMRPD strongly disagrees. We do not believe that the Silverado Modjeska Recreation and Park District has out lived its usefulness, but rather it has worked diligently to keep pace with the recreational and family needs of the residents of the remote canyon communities. As the only local agency providing these services, the SMRPD remains a critical component to the health of the residents and to the health of the community itself. The surrounding cities provide no services to our community nor are they interested in doing so.

Grand Jury Finding F4 . The eleven non-enterprise special districts of Orange County founded before 1965 have not reflected the growth of the cities and county. The services that were unavailable from cities or the 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 associations wherein they abide.

SMRPD Response to F4:

SMRPD strongly disagrees. The population in our district has not substantially grown since our founding and other cities have yet to expand close to our borders. The Silverado Modjeska Recreation and Park District has ongoing responsibilities that are unique to the remote children and families of canyon communities. Its services could not be provided elsewhere without causing residents to commute to cities. County agencies would need to carry the burden at a much higher cost to residents, and the county has publicly stated that it wants to stop providing municipal level services and focus on a leadership role.

(no responses required for F5 & F6)

SMRPD Response to “Let There Be Light- Dragging Special Districts from the Shadows”

Grand Jury Finding 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.*

SMRPD Response to F7:

- 1) We have no reserves.
- 2) Local citizens are informed regarding all income and expenses at monthly scheduled meetings. Contrary to the Grand Jury finding, district board directors are not permitted to “spend as they please.” With an annual budget of approximately \$100,000 for expenses to run two separate canyon community centers and two parks, caring for facilities and maintenance, managing possible open spaces within the district boundaries, and overseeing the community’s only family day care center, the SMRPD has very little to ‘dilly-dally’ with. Furthermore, no fee increases, special assessments or bond measures have been proposed for decades.

Grand Jury Finding 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 without taxes, fees, interest, or other sources of revenue. The boards of directors have the sole discretion to spend these unrestricted reserves.*

SMRPD Response to F8:

The SMRPD maintains no reserves.

(no responses required for F9-F14)

Grand Jury Finding 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.*

SMRPD Response to F15:

LAFCO has been required to conduct MSRs every five (5) years of all public agencies including special districts under its purview. “LAFCO is finishing the third cycle of MSRs and has found no significant issues with special districts of Orange County.” LAFCO has found no issues with regard to SMRPD provision of services. We do not believe we can afford to do a performance audit with our limited funds but will look into the feasibility of doing one.

SMRPD Response to "Let There Be Light- Dragging Special Districts from the Shadows"

RECOMMENDATIONS

Grand Jury Recommendation 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 solely on fees or the services of surrounding governments. (See F2, F3, F4, F5, & F6.)*

SMRPD Response to Grand Jury Recommendation R1:

The SMRPD strongly disagrees. This recommendation would greatly affect the lives of residents of the remote canyon communities the SMRPD serves. The County of Orange would be unable to provide the same level of important and requested services, and if implemented, would eliminate or reduce the services provided. Implementation of this recommendation would also increase the financial burden on residents to have OC Parks provide the same level of services.

Grand Jury Recommendation R2: *Community service districts should be absorbed either in the cities surrounding them or into surrounding 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 be take place before September 30, 2012. (See F3, F4, & F12.)*

SMRPD Response to Grand Jury Recommendation R2:

This recommendation will not be implemented by the SMRPD because it is not warranted and is unreasonable and we are not a community service district. There are currently no cities or homeowner's associations within the boundaries of the SMRPD that could perform park and recreation activities. LAFCO meets regularly with special districts and according to the LAFCO response to the Grand Jury Report "they will continue to do so." Furthermore, LAFCO has not concluded that the SMRPD should be absorbed into any nearby city or any private homeowner's association.

(no responses required for R3, R4 & R5)

Grand Jury Recommendation R6. *Special districts should adopt "board of director's practices" for all their reserves, restricted and unrestricted. All reserves should be classified in their 2013-2014 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. (See F7 & F9.)*

SMRPD Response to Grand Jury Recommendation R6:

We do not have reserves. The SMRPD will continue its practice of publishing its financial statements as approved by LAFCO and our fiscal auditors.

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Grand Jury Recommendation R7. Excessive unrestricted reserves should be used to reduce existing debts. Future revenues should be reduced to avoid the accumulation of unallocated revenue that does not meet the adopted new standards. (See F7 & F8.)

SMRPD Response to Grand Jury Recommendation R7:

The SMRPD does not have any debt. The SMRPD does not have any reserves.

Grand Jury Recommendation R8. Each special district should have an independent performance audit at least every three years. The executive summary of the performance audit should be distributed to all the taxpayers of each special district. 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. These audits should be repeated at least every three years. (See F15.)

SMRPD Response to Grand Jury Recommendation R8:

- 1) This recommendation ignores the LAFCO MSRs performed every five (5) years of the SMRPD and all other agencies of Orange County.
- 2) If the SMRPD can afford this performance audit with our extremely limited funds, we will try to implement this recommendation for our constituents.
- 3) According to our annual fiscal auditors, the Grand Juries in many northern California counties actually go to the local special districts and do these performance audits with them.

Grand Jury Recommendation 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 the setting of standards for reserves for the special districts. These funds should be included in LAFCO's future programs and budgets until the consolidation, absorption or elimination of each special district is achieved. With these additional funds, LAFCO should begin meeting with each special district before the 2014 fiscal year is budgeted for consolidation, absorption and/or elimination of these districts. (See F1, F2, F3, F4, F5, & F6.)

SMRPD Response to Grand Jury Recommendation R9:

The SMRPD does not have reserves.

Adopted and approved this 22nd day of January, 2013 by vote of the Board of Directors

Sincerely,

Gregory Bates, President, Silverado Modjeska Recreation and Park District