



STATE OF THE DISTRICT 2012

Presented by:
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Rossmoor Community Services District

As in 2011, calendar year 2012 began in a state of economic uncertainty. The State was once again in the midst of yet another budget shortfall; property values were still in decline; local governments and school districts were initiating budget cuts and layoffs. Rossmoor, on the other hand, enjoyed another balanced budget, a healthy reserve, a robust capital improvement plan and an enhanced recreation program. This was mostly due to Rossmoor's stable housing prices and property assessments. These factors helped maintain the level of property tax and assessment district collections; the District's major source of revenue. All of this occurred while the State, County and most local governments in the County were looking at substantial declines in revenue. Orange County was particularly hard hit by the State's takeaway of millions of dollars in redevelopment funds.

Locally, the District once again received an unqualified audit for 2012, the highest rating possible. The audit included a finding based on the Board's action to pay down debt for the Rush Park Bond in the amount of \$495,000 in 2011. That action will result in excess accumulated special assessments in an amount of \$439,000 in 2013. Of that amount, the Auditor is recommending that the Board transfer \$240,000 to the District's General Fund for administrative fees owed to the District, but not yet paid. This transfer would serve to replenish the District's reserves which have been the only source of revenue for capital projects.

The Auditor also recommends that the remaining \$199,000 be transferred to the Bond Reserve Fund. This would add to the Fund's investment portfolio which would then be used at the end of the bond payment schedule to retire the debt at an earlier period. These recommendations will be taken up by the Board at its Mid-year Budget Adjustment in February 2013.

The District's Capital Improvement Program (CIP) went through a comprehensive restructuring in 2012. Several major capital projects being contemplated were tabled for further study by the CIP Committee and/or the Board. These included the repaving of the Rush Park parking lot and the updating of the Montecito Center. Other projects such as the refurbishment of the Rossmoor Park basketball court and the installation of a new four-bay swing set in Rush Park were completed. The Board also approved an Auditorium lighting upgrade for repair of wiring and installation of emergency backup lighting fixtures. Also, a truck-mounted watering tank was authorized for the watering of newly planted trees to help ensure the growth and development of new parkway trees.

The District's Board was also heavily engaged in major governance issues during the year. First was a major initiative undertaken by the Board to utilize Special Counsel to track and respond to questions regarding the

submission of an Attorney General (AG) Opinion by Assemblymember Silva. The Opinion was requested by the District in response to a County Counsel opinion that the Sheriff could not withdraw core service to the District but could only contract for enhanced services.

The AG Opinion was received this year with a finding that the District could legally enter into a contract with the OC Sheriffs Department for the provision of core police services. As a result the District requested a contract proposal from the Sheriff for the provision of police services on a contract basis. A preliminary proposal has been received and is being vetted by the Board and staff. The proposal will be discussed with the community in early 2013. Further study will also be required regarding the provision of animal care services and the transfer of the refuse collection franchise from the County to the District.

Perhaps the most interesting development regarding the future governance of Rossmoor was the aftermath following the release of the Orange County LAFCO Case Study in 2011. The Study proclaimed potential cost savings of a new "Super City" which would include Seal Beach, Los Alamitos and Rossmoor.

First of all, the study was viewed as flawed in its assessment of the costs to the County for services to Rossmoor. As a result the Board commissioned an analysis of the Study by the Harvey M. Rose Associates LLC, (Rose) a reputable accounting firm with forensic capabilities. Their analysis found no foundation for a conclusion that Rossmoor was a drain on the County. Moreover, there was a startling change in what had previously been stated in the 2008 Comprehensive Fiscal Analysis. In that analysis it was stated that Rossmoor was a \$600,000 service drain on the County. The LAFCO Case Study, however, concluded that Rossmoor was now a \$124,000 drain on the County. There was no explanation given for the reduction.

Even more startling, was a conclusion reached by Rose using previously published financial data by the County's Auditor Controller. Rose concluded that rather than a deficit, there was at least \$317,000 and perhaps as much as a \$500,000 in net revenue to the County. As a result, the Board took action in 2012 to hire Special Counsel to make a Public Records Act (PRA) Request to the County for a broader array of financial data. The PRA was specifically designed to obtain the actual cost of services provided to Rossmoor and the corresponding taxes paid by Rossmoor residents for those services.

When the data was received, the Board asked Rose to analyze the data and to refine its previous estimates. That review is underway. Preliminary results indicate an even greater net financial gain of about \$1.3M to the County. The final results of that analysis are a major component of the District's due diligence prior to submitting a formal application to LAFCO for additional latent powers. Both the findings of the financial analysis and the Sheriff's Cost of Service Proposal will soon be discussed at a public meeting of the Board.

Service delivery to our residents was also a priority during the year. As a means of better communication with residents, the Board authorized the redesign of the District's website which went live this year. The change is compliant with the Orange County Grand Jury's recommendations for greater transparency regarding employee compensation and benefits. Residents now benefit from a modern website with an easy to navigate, industry-standard interface, filled with dynamic content services and networking capabilities. The Board has also asked staff to research the elimination of a hard copy Agenda for Board meetings. This innovation would save paper, duplication and enable the Board and the public to follow the Agenda on a tablet device.

Another major accomplishment this year was to successfully contract with a private provider for the production and broadcasting of televised Board meetings. With a change in State law, the County franchise for this service was terminated. The Board took swift action to solicit proposals from private providers and entered into an agreement to continue television and internet broadcasting of Board meetings to the Rossmoor community.

The District has continued to expand its resident email database to better communicate on a real time basis. Coupled with the capabilities of community-based databases, it is now possible to reach an even greater audience with the use of email. Moreover, the use of social media now makes it even easier to communicate with the public. The District is also making greater use of its quarterly newsletter to keep residents informed about issues facing Rossmoor.

The District also successfully reached agreement with the County Public Works Department to remove hardscape obstacles in a number of parkway locations so that a street tree could be planted. Further actions are contemplated leading to a street tree at every feasible location in the District. The District also continues to receive a designation as "Tree City USA". An even greater designation was given to the District as the number one suburb in California and number nine in the nation.

Further, the Board's direction to limit picnic sites to residents has only increased its objective of greater service to our residents. Also, the Board authorized an increase the number of the Recreation Department's movies, concerts and plays in the park which resulted in the highest attendance levels, ever. Co-sponsorship of the May Festival with the RHA and the summer recreation program with the Youth Center were excellent examples of collaboration with community-based organizations in cost-effective use of resources.

Another major undertaking by the Board was the recruitment and selection of a new General Manager. After an exhaustive search, the Board appointed Ms. Christine Montana to begin service as General Manager in January of 2013. Ms. Montana has excellent qualifications and experience suited to special district administration.

The year ahead looks promising, but not without challenges. Although there is now an AG Opinion which opines that an unincorporated area cannot be divided for purposes of annexation, it remains to be seen how the desire of Los Alamitos to annex the Rossmoor Shopping Center will evolve. Further, the receptivity of LAFCO to give thoughtful consideration to the activation of latent powers is a lingering question. Also remaining is the possibility of a contract of municipal services by the County to a neighboring city. Moreover, the State's continuing budget crises is troubling since it will most likely adversely affect the County's finances with perhaps a ripple effect on Rossmoor.

The future of Rossmoor as an independent community may continue to be challenged by the County and LAFCO, particularly if the Rossmoor Community Services District is not allowed to assume latent powers for certain municipal services; services provided at a local level and with less reliance on the County. Nonetheless, Rossmoor remains an efficient and stable island, an oasis in the midst of surrounding economic uncertainty.