

BUDGET REPORT

DATE: MAY 10, 1996
TO: BOARD OF DIRECTORS
FROM: RICK ANGRISANI, DISTRICT MANAGER
RE: FISCAL YEAR 1996-97

HISTORICAL REVIEW

This fiscal year marks the seventh year assessments are to be levied in the Oakhurst Geologic Hazard Abatement District.

The original District boundary included the 92 residential lots from Tract 6990 and the 109 lots from Tract 7065 (108 residential). During 1990, Subdivisions 7311 (118 duets) and 7066 (117 townhouses) were annexed to Area 1 of the District. Additionally, Subdivisions 7256 (70 SF) and 7262 (99 SF) were annexed to Area 2. While these annexations added quite a few lots to the District, the amount of work required of the District did not substantially increase since the hillside areas had not yet been annexed. In 1995, the District annexed all the remaining properties in Oakhurst with the exception of the Eagle Peak Unit 4 subdivision (70 SF). Area I received Subdivisions 7768 (55 SF) and 7769 (53 SF). Area II received Subdivisions 7257 (60 SF), 7260 (75 SF), 7264 (102 SF), 7766 (35 SF & 60 Condos), and 7767 (76 Condos). Area III annexed Subdivisions 7249 (70 SF) and 7255 (72 SF).

The Plan of Control requires the District to be responsible for the repair of landslides and erosion that extend across or into open space and/or at least two residential lots. The Plan of Control further requires periodic inspections by the engineer and/or the geologist retained by the GHAD. These inspections include the following:

1. Visual inspection of the concrete surface drainage ditches twice a year (fall and spring) for siltation, cracks and breaks.
2. Inspection of the outlets of all subsurface drains including measurement of the flow rate of water emerging from the outlets. Inspections to be made in fall, spring and other times as necessary.
3. Measure the level of groundwater in the piezometers and the horizontal position of the slope inclinometers on a quarterly basis.
4. Inspection by a geologist of the District's lands and facilities on an annual basis in the spring. Within four weeks on this annual inspection, the geologist shall submit a written report.

In 1992, we reached an agreement with Presley that requires us to accept and annex the open space parcels as soon as possible while requiring Presley to pay for its share of the operations and maintenance costs as if all its lots were developed. This action was meant to eliminate the problem of maintaining just portions of the site and having the potential of some important work falling between the cracks. However, as part of this agreement, Presley was supposed to complete some outfall work and subdrain mapping in order to provide the record data the District needs to ensure that all the maintenance and reporting work occurs as specified in the plan of control.

Presley has now completed all the mapping and repair obligations that we have been expecting for the last few years. The District will now be finally fully functional and responsible for its original mission. To this end, we are presently awaiting responses to our RFP for geotechnical consulting which will allow us to take over the subdrain and inclinometer inspections in addition to the surface inspections which we have been performing.

To date, there have been no homeowner complaints or homeowner repairs required of the District. Our recent Spring inspection revealed that the GHAD's facilities survived the winter in good shape and the routine cleanup work will be much less than last year. One fairly large slide began in the open space above Clayton Road and Easley Estates. The slide moved approximately fifty feet and then stabilized. Since it is still several hundred feet from the road and it appears stable for the time being, The Board decided that we would continue to watch it but not attempt any repairs unless it actually threatened Clayton Road.

RESERVES

Any repairs required by the coming year's inspections will be performed by the GHAD utilizing, if necessary, a \$200,000 line of credit established by Presley for the GHAD. This line of credit is to eventually be replaced by the GHAD's reserve account. In fact, most of the assessments collected for the first few years will go to build up this reserve. The present goal for the reserve is \$200,000 though this goal may be revised in the future if recommended by the District's geologists.

As noted last year, the reserve requirement for Area I has been met and the assessments in this area will now vary from tract to tract. In addition, the Board decided that later annexations should repay the earlier annexations for their overpayment of the reserve funds and there is presently a credit (overpayment) of approximately \$3,000 in the Area I reserve account. Last year, the Board decided that these credits would remain until all the units in any area have paid their fair share of the reserves. At that time, the excess funds would be either refunded to the current property owner or credited against that year's O&M assessment. This year's assessment will complete all the reserve payments for all the lots in Area I. As can be seen on the Reserve Fund Analysis, some lots will be due refunds at the end of the fiscal year in amounts varying from \$2.83 to \$71.38.

This year's assessment will complete the reserve requirement for Area II (\$100,000). The new annexations will begin their contributions and concurrently start creating the credits for the earlier annexed lots.

All of Area III was annexed this past year and those lots will start paying for their portion of the reserves. Since all the lots were annexed at one time, the reserve should be complete within three years and there will be no overcharge/credit problems.

1996-97

The operations and maintenance costs for FY 1995-96 again did not reach the expected levels since Presley took most of the year completing its obligations. This year, we really will be taking on most of the ultimate responsibilities (e.g., hiring geologist, inspecting inclinometers, etc.) of the District though the fiscal impact will be mitigated the excess funds still remaining. The costs for managing the District will be again be invoiced on a time and material basis per the Manager's employment contract. Following is the recommended assessment and budget for the GHAD for FY 1996-97 (see Exhibit A for the method of assessment and details of the reserve account):

INCOME

Assessments	\$ 80,782.42
Excess Funds	16,361.00
Interest on Funds	<u>5,228.84</u>
TOTAL INCOME	\$102,373.26

EXPENSES

District Management (including County charges)	\$ 5,000.00
Inspection and Report	30,000.00
Deposit in Reserves	<u>67,373.26</u>
TOTAL EXPENSES	\$102,373.26

EXHIBIT A

OAKHURST GEOLOGIC HAZARD ABATEMENT DISTRICT

METHOD OF ASSESSMENT

A geologic hazard abatement district is essentially a benefit assessment district. Therefore, the assessments must be apportioned to individual parcels according to the benefit received.

Based upon discussions with the City's consultant, Randy Leptien of Leptien, Cronin & Cooper, the various areas and types of development in Oakhurst require that the assessments be broken down by area as well as type of unit. The areas have been broken down to reflect, as much as possible, units with an equal amount of risk and benefit.

The total development has been divided into three areas for assessment:

Area 1 Lower 6000's, Duets, and lower Townhouses

Area 2 Upper 6000's, lower and upper 8,000's, upper Townhouses

Area 3 10000's

After reviewing the needs of each area and the benefits of the District to each area, we have assigned each area the following share of the District's costs (including reserves);

Area 1	25%
Area 2	50%
Area 3	25%

As will be noted, the number of units in each area is not considered a factor and the amount of assessment per unit will vary greatly from area to area. Since we have different types of housing mixed in Areas 1 and 2, we have assigned different assessment units to each type of housing as follows:

Single Family (regardless of size)	1.00
Duets	0.75
Townhouse	0.50

Each year's assessment will consist of two parts. The first will be for the actual estimated costs of the District for the coming year. The second part will be for the buildup of the reserves. Once the

reserves have reached the level the Board of Directors have designated, that portion of the assessment will cease until it is necessary to rebuild the reserves or fund repair work. Now that we are responsible for essentially the entire scope of work envisioned for the District and Presley is paying its fair share, we will now split the yearly operations and maintenance (O&M) costs according to the factors specified above.

FY 1995-96

Again this year, the District consists of 92 single family homes, 226 duets, and 162 townhouses in Area 1 and 270 single family homes in Area 2. In addition, the operations and maintenance budget is to be spread over Presley's future lots consisting of 592 single family homes and 136 condos.

Operations & Maintenance

The cost of running the District (management, inspections, and maintenance less interest earned on funds) is being budgeted at \$30,000.00 of which \$28,455.88 is the responsibility of the existing homeowners and \$1,554.12 is to be paid by Presley (see GHAD - 96/97 Operations and Maintenance Per Unit Analysis Without Excess Fund Application chart). The District is expected to have approximately \$20,742 in unexpended funds (not including reserves) on June 30, 1995.

In analyzing the source and distribution of these excess funds, I realized that the percentage distribution used the last two years was incorrect as it did not account for the percent share of each year's costs. Therefore, I went back to the beginning of FY 94/95 and recalculated the excess fund amounts (see GHAD - Excess Funds Analysis chart).

This year the Homeowner's share of the unexpended funds only account for approximately half of their share of the needed funds for operations and maintenance (\$14,817.00 vs. \$28,455.88). Therefore, we will need to assess the lots for the unfunded portion (see GHAD - 96/97 Operations and Maintenance Per Unit Analysis With Excess Fund Application chart).

Presley's unexpended funds still exceed their share of the O&M cost.

Area I Reserves (see GHAD - Reserve Fund - Per Unit Analysis chart)

Area I has reached its goal of \$50,000 (see Reserve Fund Chart). As stated earlier, by the end of this fiscal year, all of the lots will have paid their share of the reserves. The Board will need to decide next year what to do with the excess reserve funds collected for this area.

TOTAL DISTRICT INCOME FOR AREA I RESERVES \$11,894.04

Area II Reserves

Area II will exceed its goal of \$100,000 this year. However, until Eagle Peak Unit 4 is annexed, this area's reserve will continue to grow until all the lots have reached their stated goals.

TOTAL DISTRICT INCOME FOR AREA II RESERVES \$41,524.88

Area III Reserves

This is the first year funds have been collected for this area's reserve goal of \$50,000. It should take two years to complete this assessment.

TOTAL DISTRICT INCOME FOR AREA III RESERVES \$13,954.34

Summary of Assessments

<u>GHAD AREA</u>	<u>SUBD</u>	<u># UNITS</u>	<u>TYPE</u>	<u>O&M ASSESS</u>	<u>RESERVE ASSESS</u>	<u>TOTAL ASSESS</u>	<u>TOTAL \$</u>
I	6990	92	sfd	8.36	0	8.36	769.12
I	7065	108	duets	6.26	0	6.26	676.08
I	7311	118	duets	6.26	0	6.26	738.68
I	7066	117	townhouses	4.18	0	4.18	489.06
I	7303	52	townhouses	4.18	0	4.18	217.36
I	7768	55	sfd	8.35	110.13	118.48	6516.40
I	7769	53	sfd	8.35	110.13	118.48	6279.44
II	7256	70	sfd	9.90	0	9.90	693.00
II	7262	99	sfd	9.90	0	9.90	980.10
II	7263	101	sfd	9.90	0	9.90	999.90
II	7257	60	sfd	9.91	115.90	125.00	7500.00
II	7260	75	sfd	9.91	115.90	125.00	9375.00
II	7264	102	sfd	9.91	115.90	125.00	12750.00
II	7766	35	sfd	9.91	115.90	125.00	4375.00
II	7766	60	condos	4.95	73.53	78.48	4708.80
II	7767	76	condos	4.95	73.53	78.48	5964.48
II	Presley	70	sfd	0	0	0	0
III	7249	70	sfd	26.73	98.27	125.00	8750.00
III	7255	72	sfd	26.73	98.27	125.00	9000.00
						TOTAL	\$80,782.42

TOTAL PRESLEY ASSESSMENT \$0.00