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LLAD assessments under the microscope - Light and Landscape Districts

El Dorado Hills Community Services District staff is wading through complex Landscaping and Lighting Assessment District assessments to provide greater clarification to property owners, according to interim EDHCSD General Manager Kevin Loewen.

The ongoing process was spurred by the 2015-16 El Dorado County Grand Jury Report that notes that the EDHCSD needs "clearer methodology" when determining assessments, including why there is discrepancy between what homeowners in the 25 existing El Dorado Hills LLAD's pay annually.

An LLAD is a local special district that provides funding for maintenance and improvements to landscaping and lighting within the district's boundaries. It explains in the grand jury report that individual parcels within any given LLAD can be assessed a different amount based on the benefit that parcel receives from the improvements and services provided. Each LLAD's assessment is meant to cover the costs of installing and maintaining public facilities and improvements within that LLAD, including sidewalks, parking lots, turf and play areas, landscaping, ground cover, shrubs and trees, irrigation systems, drainage systems, street and accent lighting, fencing, entry signs, materials, supplies, utilities and equipment (including labor).

"Assessments increase and decrease without clearly identifiable reasons," the report states.

Approximately one-half of active LLADs had 2015-16 fiscal year assessments reduced by exactly 50 percent, including The Promontory, but no explanation was given for this substantial reduction, the report notes, adding that The Promontory LLAD was one of "... six landscape and lighting districts that continue to struggle financially due to incorrect cost assumptions during formation as well as a cost inflationary factor not being included in some areas." The EDHCSD's 2013-14 fiscal year budget used nearly identical wording to describe the Promontory LLAD.

"So for two back-to-back budget years the Promontory LLAD was struggling financially yet the assessment was cut in half," the grand jury foreman wrote in the findings and recommendations. "This does not seem logical. The CSD LLAD budget should, at a minimum, contain the rationale for the decrease."

"The budget identifies that Promontory's member contribution share was reduced, which directly relates to the ongoing costs for maintenance being transferred to the CSD's general fund. Hence, the LLAD is underfunded," Loewen told Village Life. "The reason for an assessment reduction to the LLAD members is directly related to the balance of funds held in an unrestricted account of the LLAD budget. Those unrestricted funds cannot arbitrarily be transferred for uses such as asset replacement costs, thus, staff applied those funds to an annual levy (i.e. cost) reduction to the LLAD members.

"While this does not address the overall underfunded status of the LLAD it is an appropriate action taken to be good stewards of the public's funds," he continued. "Staff and the board still have to address the cost share for ongoing maintenance, but that is a policy matter that has ties to actions taken in 2011 and this must be addressed with equal responsible stewardship for our residents both distinct to the Promontory LLAD and generally for all residents across the CSD. In short, the takeaway from the grand jury's report in this area, as well as the district's responsiveness during the budgeting process, is that staff and the board are acting in a proactive and responsible manner."

El Dorado Hills resident Hal Erpenbeck said one year he was charged \$29 for his LLAD assessment and the next year he was charged \$187. "The amount paid per homeowner isn't much, but that isn't the point," he said.

Erpenbeck was a 2015-16 grand juror; he recused himself from this case.

"The point is this has been going on for years, long before many of the current employees worked at the CSD," Erpenbeck continued.

"How (can) the ... fee be over 12 times greater per parcel in one LLAD versus another?" it states in the report. "Or, how is the accumulation of excess fund balances, either surpluses or reserves, equal to four times expected expenses justified?"

"That the budgeted overhead costs as a percentage of direct cost can vary from 5 percent to 192 percent is incomprehensible," it continues.

"The district's records indicate that the LLAD Mr. Erpenbeck is referring to was subject to a payback by the district. Thus the annual levy (i.e. cost) was reduced to \$25 for one year, \$0 for two years and at the conclusion of the payback the levy was again made according to annual costs anticipated vis-à-vis the budget process," Loewen explained.

The grand jury recommended that when assessments vary significantly from one year to another the CSD should explain the rationale for the change and that the EDHCSD Board of Directors should consider the formation of a citizens advisory group composed of residents in LLADs to review budgeted and actual costs while providing guidance to the board.

This is the second instance of the EDHCSD being called out for lack of oversight in recent months. By not filing a nexus study related to fees charged by the district, which is supposed to be submitted every five years to track financial information, approximately \$4.8 million in CSD funds are frozen at the county level as the issue moves to arbitration. The CSD is one of 13 special districts listed that reportedly failed to follow this requirement of the California Mitigation Fee Act.

Past district board president Terry Crumpley (her term ended Dec. 8) authored the response to the grand jury on behalf of the CSD regarding the LLAD issue.

"The oversight of the LLADs is a high priority for the district and ... several factors go into the annual assessments for the uniquely situated LLADs," Crumpley wrote.

"However, significantly more oversight is planned by way of the district's implementation of the parks superintendent position," which will provide "increased capability for improvements in oversight of the LLADs.

"The district will implement a clear set of annual LLAD annual budget notations to address the cited need for...explanation and rationale for any changes," she added.

"The district has already begun making comments related to some specific LLADs, such as for Promontory, but we are also committed to providing greater clarification because it is important to us that our residents are able to obtain clear and understandable information," Loewen said. "We are committed to transparency."

For more information or to view the entire report visit edcgov.us/Government/GrandJury/2015-2016_Grand_Jury_Report.aspx.