

## HMDAC Meeting - Minutes

7:00 pm Thursday May 6<sup>th</sup> - 2378 Lansdowne Place

Attendees: Mike Baldwin (chair), Ginger Bryant, Byrne Conley, Desiree Conley, Eli Cronbach, Joyce Estes, Paul Norberg, Bob Schussel, Richard Tirrell

1. Discuss the transfer of HMD from City management to GVRD. If HMDAC agrees on a course of action, a proposal will be forwarded to the HPOA board for their approval.

Mike reviewed the outcome of our meeting with City Staff (Finance, Public Works, City Manager) held the prior Friday (April 30). The City is unwilling to consider any other allocation methodology and cannot do anything other than the full cost allocation process (based on commitments they have made to bankruptcy court). They will not consider or negotiate any concessions on administrative costs for Hiddenbrooke, particularly at this time (bankruptc). It is unlikely that we are going to see an improvement (reduced costs) in the foreseeable future.

City staff were surprisingly mellow when we brought up the idea of using someone else to administer the contract. They did point out that since HMD land is city property and HMD revenues are part of a tax assessment that must be administered under certain requirements, that there would still be City involvement at some level to inspect the property, have support from finance, etc. It is clear that making any kind of change will be complex and we'd need legal assistance.

Bob had three comments relative to making a change: 1) don't underestimate the City; they know now to win and have probably already devised a strategy to block us in any change; 2) we need to practically assess whether we have a realistic chance of breaking away before we plow a lot of money into legal costs; 3) we should look at the Ridgecrest settlement which gave them the right to manage their district.

Eli had talked to folks at LAFCO who indicated that a CFD (HMD is a CFD) can be difficult to unwind and that a 'political' solution (negotiation) might be best. Ginger noted that since our CFD does not have debt associated with it, City staff indicated that it would not be that difficult to unwind (not a high vote). However, if you unwind the CFD, how do you raise funds to maintain all the areas?

Bob noted that City Council has little clout as it relates to our issue of administrative fees and that Joanne Shively was not optimistic about any reductions. Paul reported that in conversations with Marti Brown, she also indicated that while sympathetic to our plight/issues, this is a low priority for council members. The matter of allocations falls under the City Manager's responsibility (and Finance). Paul noted that the city's bankruptcy likely puts everything under extra scrutiny and makes any negotiation difficult or impossible.

We discussed some of the possible outcomes of a change. The most extreme would be turning over the HMD City owned land to an owners association (such as HPOA) and then HPOA would do the assessment. You would dissolve the CFD (Community Facilities District) and it would not be on the tax rolls. This would be most complicated given the open space sharing with parks/trails, cows, etc. This would also bring up many questions, including insurance for incidents on the HMD property. HPOA also doesn't have the right to foreclose on homes for non-payment and would need to build in considerable

additional income to cover non-payment of the assessment. A simple change would be to continue to run assessments through the City process but change the entity who administers the contracts, though this may not save us much since the City would still charge for a variety of 'services'. A hybrid could be moving much of it to HPOA but leaving ownership of the land with the City.

Eli also noted that we might want to watch the Alco Metals lawsuit on Mare Island to see if there is anything applicable to our situation.

We further discussed whether we could challenge the assessments or the allocation; Byrne noted that we'd have to prove staff/council abuse of discretion. Since they are following the advice and methods of consultants who are recognized as 'experts' this would be difficult.

The committee noted that there are two strategies – long term (breaking away or reducing City costs) and short term (reducing costs). **The conclusion reached was that we don't have enough information to pursue breaking away at this time. We should dig into Ridgecrest, monitor Alco and keep our options open.**

Focus on short-term cost control. As we found out in our April 3 meeting, the City will not revisit the allocation of 2008-09 (which they state is a benefit to HMD since our share of costs would actually increase if they did so). This will also apply to 2009-10. What we learned from this is that we should keep our 2010-11 budgets as low as possible so our relative percentage of costs will be lower and thus our City allocation will be lower.

2. Follow up on yesterday's (5/5/10) discussion of the rehab budget for 2010/11 and the letter to Jeanine.

Mike shared his draft memo to Jeanine about the 2010-11 renovation priorities and budget. In light of what we learned about adjustment of City admin fees, the committee concluded that we should either spend or have the City 'encumber' all of the renovation funds that are not yet spent from the 2009-10 budget and use those first. This would allow us to potentially budget nothing for 2010-11 since there may be enough money left in the 2009-10 budget to pay for all of our high priority items (total wish list was about \$35,000). We have learned that there is no benefit to budgeting a large sum for renovation because that only gets us a higher admin fee allocation. We should budget low and if we find that we need to do more work, request a budget adjustment. Joyce noted that we should also look at utility budgets as it seems these have been much more than we actually spend.

Mike will revise his memo to Jeanine accordingly. Ginger noted that it also needed to go to James Nichols since he is in charge of the Engineer report and the change to the requested 2010-11 budget would need to run through him.

**The committee agreed with the memo Mike has proposed regarding priorities. Mike will revise it to include the concept of encumbering funds from the current year and thus further reducing the 2010-11 budgets.**

Subsequent to our meeting, and right after Mike sent the memo to James, James sent us the initial draft Engineer Report. The budgeted renovation work is much lower than prior years and consistent with our initial plan of work. However, it could still be lower. James is resistant to making any changes because it will change the allocation of City admin fees among all districts and they are well underway in the process of getting all the reports ready for the two hearings by City Council to set the assessments.

**We will need to decide if we want to further challenge the budget and force them to reallocate the overall overhead pool.**

3. Consider possible ways to reduce the portion of HMD funds subject to city overhead.

We touched on the idea of asking the City to remove other costs from the base used for allocations, such as is done with the Welcome Center costs, thereby reducing the City admin costs.

It was noted that this (removal of WC costs) is an area of risk for HMD because there is nothing other than the 'precedent' of the last few years and that the City could possibly change (as they almost did when the new consultant was hired for 2008-09) and include all of HMD costs in our base amount. Byrne shared that historically there was a question of why/how you can even run costs of something like the Welcome Center through a Maintenance District CFD. When City staff was asked about this (perhaps 10 years ago) their reply was 'the developer asked us to do it'. This was when the developer owned almost all of the lots as only a few subdivisions had been sold to builders and few homes had been sold. So another area of risk for the community would be if a large number of HMD taxpayers chose to challenge using HMD funds for Welcome Center costs. No action is needed, it's just something to be aware of.

Joyce suggested that we push for removing other costs, such as utilities, from the base used to allocate the pool of City costs. **No action was taken on this item.** Since the consultant report and budgets for this coming fiscal year are probably almost done, it's unlikely that we can ask the staff to consider looking at this. It also may not make much of a difference because you would need to remove the same types of costs for all LMD's so unless HMD's costs for particular line items are significantly higher, as a percentage of the total costs for that district, then the relative costs for all the districts stays about the same.

4. Explore the prospect of getting funds from HID to pay for major landscaping upgrades that are beyond the budget of HMD.

The first item we discussed was to follow-up on Paul's e-mail to Susan Mayer regarding the current HID assessment. As Paul and Joyce knew, the bonds for the Hiddenbrooke Improvement District (HID) were refinanced 7-8 years ago resulting in lower annual debt service. However, no change was made to the actual assessment for each home (about \$1,600/year if the builder paid off 50% of the bonds for your lot). Therefore, substantial (\$4mm+) funds have built up in the HID accounts and interest on the funds continues to be added each year. An annual report for HID funds is prepared, similar to HMD, and is available from the City (Mike has and distributed to those who attended the City meeting and has for anyone else who is interested).

In the past (not in HMDAC) there has been discussion about using these funds to pay for certain improvements in Hiddenbrooke (such as the fire station) but there is no actual plan or current need for improvement funds. A few actions can be considered, including reducing the annual assessment for each homeowner and also using these funds for some purpose. The committee also discussed who should be charged with speaking for the Hiddenbrooke community on this matter and concluded that any specific recommendation from the community probably should come from HPOA through its board.

Paul asked Susan to determine what the impact would be if the assessment were reduced to an amount that would be sufficient for current debt service and leave the existing reserve levels in place. This would leave the existing reserves in the HID accounts and allow them to continue to grow with annual interest. Susan responded that this would be about a 25% reduction in the assessment. There was discussion and recognition that once the assessment for HID is reduced, it cannot be increased even back to the existing levels.

**The committee voted (unanimous) to recommend to the HPOA board that they take the appropriate action to communicate and confirm to the City Finance Staff to proceed with a reduction in the annual assessment in the amount that would be sufficient to cover annual debt service and no longer add new funds (other than annual interest) to the reserves.**

The committee then discussed whether, as suggested by City Public Works staff, we might be able to access HID funds to pay for repairs or renovations that are currently coming out of HMD funds. We think City staff is looking at this as a way for HMD to continue to pay City Admin fees at their current levels without putting HMD in a position of running deficits. Since one of our complaints about the high level of fees is that we will run out of money if we keep running deficits, this would effectively remove that objection.

There was discussion about whether HID funds could be used to provide a substation for the highway patrol at the Welcome Center; perhaps by using some of the annual interest earned on the account. Joyce noted that CHP is getting a substation/office in the new rest area building off I-80. Ginger expressed concern about using any HID money for an annual operating type expense.

There was discussion about the right kinds of things to spend HID money on, and that it may well be governed by the provisions of that district in those documents, which we did not refer to. The annual report should be reviewed for any guidance in this matter. Paul noted that it is quite likely that there will be no money available in Vallejo general funds to pay for street repairs in future years and it's likely that the HID money will be needed if we want to maintain the streets. Mike noted that we've talked about whether we should, at some point, do a major rip out and replanting of the landscape in some HMD areas, such as the parkway, and that a large project could perhaps be considered for using HID funds. Eli noted that especially if we were looking at using more low water usage plants or replacing deciduous trees with those that are evergreen, both reducing future operating costs, that this would make sense.

**No action was taken at this time but that it was agreed that we should reject any attempts to spend money for small, routine, projects from HID funds but consider them for larger projects with longer term benefit to Hiddenbrooke. HID funds are not under the purview of HMDAC, but HPOA may want to consider monitoring them and perhaps looking at the cost of future road maintenance.**

5. Discuss whether HMD should participate in discussions on the design of the freeway interchange, or be willing to undertake any landscape maintenance associated with it.

During our meeting of April 30 Gary Leach informed us that Caltrans is back looking at the I-80 interchange and he has to 'start from scratch'. Upgrading this interchange is something that is in the plans because of projected growth (must be American Canyon) and funds were raised from a special tax some time ago. It should be noted that because of how these funds were raised the City has considerable discretion on how they are spent and they are not specifically restricted in purpose and if not spent, could flow back into the general fund or other projects.

Options for the interchange could be simple traffic lights or a round about. Gary's question to us (informally) on April 30 was whether HMD would agree to pay for the maintenance of any landscaping in the round about (at each of the exit ramps). If not, he said that the City doesn't have money to maintain them and he would not want to proceed with this option, which some might consider to be more aesthetically pleasing than traffic lights.

The process is still very early and no amounts for maintenance costs have been proposed. Ginger noted that HMD is currently operating in a deficit and we are going to be expected to absorb the costs of annual maintenance for a park inside Hiddenbrooke so how could we/why should we absorb costs for something that is outside the community when we are already in potentially perilous (if you project current expenditure levels) financial position. She also noted that in the current HMD report there is a City 'contribution' (small) for the open space trail and the Napa road section reserve; therefore, it would be inconsistent to have HMD pick up all the cost of something were only a small portion of the cars using or seeing the ramps live in Hiddenbrooke (you have lots of AmCan traffic, Napa general traffic and truck on/off traffic). There was no consensus among committee members with some saying that they would support spending at some level since this could be seen as benefiting the community, others saying maybe and some saying no.

**The committee concluded:**

**\*\* The design issues related to the interchange are outside the purview of HMDAC and although we should be kept informed of any talk of committing HMD funds, we should not be involved with or take a position on the design**

**\*\* Chris Brittle, who has a background in traffic issues, is personally interested in this and plans to stay in contact with Gary Leach/Public Works on the process. He can, and should, keep the general community informed.**

**\*\* Until an actual proposal for allocating funds from the HMD budget for any annual maintenance costs is before us, HMDAC does not need to take action. However, any proposal before us would need to protect HMD from any costs associated with damage and repairs (ie be limited to landscape maintenance costs) and that the appropriate response to a City inquiry might be that since it is outside HMD, depending on the amount we might have to consider taking it to a vote of the community (percentage and process and level of formality open to future discussion).**

6. Reflections open space. Discuss whether we adopt the same policy as for the Summit, i.e. we recommend that landscape maintenance be carried out by the HOA. We need a policy to present at the City meeting.

Staff from Vallejo Public Works recently contacted HPOA regarding Reflections. It turns out that there are some areas around Reflections (specifically the open space hillside across from the commercial center) that are actually owned by the Reflections HOA. According to City Staff, the Subdivision Agreement (we do not have a copy available) is similar to The Summit in that the obligation to maintain this area falls to the HOA. It is not clear whether this is also structured as a reimbursement to HMD or sub-district within HMD or whether these areas were simply included in HMD at the time when Sam Gonzales was the maintenance supervisor of the LMD. Paul and Joyce do remember Sam making the pitch to HMDAC and HCA (under which HMDAC was originally formed) to simply absorb this 'small' cost.

A meeting has been called for May 7, though it is not clear whether anyone from the Reflections board or management company will be in attendance. We don't know what the agenda is or what City staff is trying to achieve, but representatives of HPOA/HMD will attend. We don't know if this is another effort on the part of the City to find ways to reduce HMD expenses, but are curious.

**After short discussion the committee agreed (unanimously) that HMDAC's position should be the same as what we have stated regarding The Summit. If the Subdivision Agreement requires that the HOA pay for the cost to maintain these areas, and the areas are owned by the HOA, then HMD should not absorb the cost. We will not ask for reimbursement for prior years, but do not want to pay for it beginning with the 2010-11 budget year. HMDAC also holds the position that if the HOA would prefer to maintain the area directly rather than paying reimbursement, including City admin and inspection costs, to HMD, then the HOA should be allowed to do so.**

#### 7. Response to City Letter of April 30

Mike updated those who had not attended the meeting regarding the letter which he also had distributed to all committee members (see comments in #1). City Council members are not copied on this letter even though our first letter was to Council. Ginger agreed to draft a reply to the City's response since there remain areas where we are in disagreement with City policies. It may not make a difference, but we should go on record with a response.