

MADERA COUNTY

AUDITOR-CONTROLLER

ROBERT F. DeWALL, Auditor-Controller

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June 27, 1990

Mrs. Rita Stelling
P. O. Box 447
North Fork, CA 93643

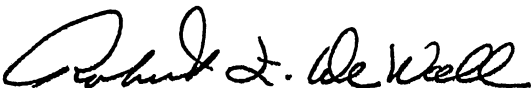
Dear Mrs. Stelling:

At Sunday's meeting, the question was raised, would the homeowners's association own the Dr. Moon property when the mortgage he holds and the Prudential-Bache loan are paid off. My answer was that it was my opinion that the Service Area would own the property since it was purchased with the proceeds of the direct assessment but that I would verify this with County Counsel. I talked to Mr. Jeff Kuhn, Madera County Counsel, yesterday and he confirmed my belief. The Service Area, as managed by the County Board of Supervisors acting as the district's Board of Directors, would own the property. All residents of the Service Area could express their opinion on issues concerning management of the district at any public Board meeting as long as the topic was on the agenda for that meeting. The Board, of course, would still have the final say-so.

At Sunday's meeting I also explained that the Service Area could be converted from a "dependent" to an "independent" district. In order to do this a Community Service District would have to be formed and the Service Area disbanded. These transactions would have to be approved by the Madera County Local Agency Formation Commission and the Board of Supervisors. There would be some costs involved. Stell Manfredi (209-675-7703) can provide more information about this process and how a Community Services District might provide more "local control".

If you have any questions, please give me a call.

Sincerely,



Robert F. DeWall
Auditor-Controller

cc: Stell Manfredi

THIS IS A RECAP OF THE
SPECIAL INFORMATION MEETING
COUNTY SERVICE AREA - 21
JUNE 24, 1990

Mr. Robert DeWall, Auditor-Controller for the County of Madera, began with background information. CSA-21 is known as a "Dependent Special District" the County Board of Supervisors is also the Board of Directors for that special district. There are two kinds of "Special Districts", a "Maintenance District" and a "Service Area". Maintenance Districts are mainly for roads or water companies or sewer systems. CSA-21 is a Service Area which is more versatile in the services it can provide. Mr. DeWall is in a sense the "bookkeeper" for this Service Area for the County. It is his responsibility to keep the financial records for the County, the revenue for the district is kept in a separate fund, it is not co-mingled with any other funds in the county and then the bills are paid from the collection of those revenues. Budgets are presented to the County Board of Supervisors at least once a year or at other times when they ask for it. The meetings of the Board of Supervisors are open to the public. There is an agenda that is published in the newspaper. There are certain legal requirements that must be met for those types of meetings. The association could ask to be put on the mailing list to receive the agendas for the meetings. The Board of Supervisors meet every Tuesday and the agendas are published the previous Thursday.

Tax assessment for CSA-21 goes back to May 1985. In January of 1985, the County entered into a Municipal Lease Agreement with Prudential-Bache, a capitol funding organization, they make large loans and sell bond issues and other kinds of investments. The County needed to buy equipment and they entered into a capitol lease agreement with this organization. About five months later, the association contracted with the County to buy the recreation area from Dr. Moon. The purchase price was \$150,000. The financing plan was that Dr. Moon would hold a first mortgage for \$80,000 and the County Service Area would make payments on that for 12 years. The monthly payments are \$928.88 for 120 months, beginning in May 1985. That payment includes the principal and interest. The purchase price was \$150,000. Dr. Moon is carrying the first mortgage of \$80,000, so the down payment had to be made of \$70,000. The County Service Area would borrow the money from the County Insurance Trust Fund. The County itself is insured and have money set aside in the Trust fund to cover any claims that may be made against the County.

The Board of Supervisors approved the loan from the general liability trust fund of \$70,000 to the Service Area. That began as a five year loan. The original desire was for a 10 year loan to spread out the payments. At that time, the State law only allowed a five year loan. The Service would pay the money back to the County Trust Fund. At this point, the Assessment was created. \$250 for five years, \$125 for the second five years. The assessment was to pay the loan to Dr. Moon, the loan to the County Trust Fund and for maintenance of the recreational area.

An assessment of \$125 per year would only generate \$30,000 a year. The payment to Dr. Moon is \$11,150 per year. The payment to Prudential-Bache 11,250. When you subtract \$22,400 from the collected \$30,000, there is only \$7,600 left to cover other operating expenses for the service area. Insurance for the CSA is between \$4,000 and \$5,000 per year. If any costs went up ie: insurance, the CSA could be in real trouble. The recommendation is not to go to \$125. The assessment could be lowered later, but \$125 is not within reason for some time. Reasonable assessment could be considered at \$175.

Sometime following May 1985 and the following year, the people at Prudential-Bache came back to the County and they explained the interest rates dropped and if the County wanted to re-finance the Municipal Lease Agreement, they could save some money on interest. The recommendation was made to the county to include any other projects that made need to be financed at the same time. The county re-financed several projects, including several Service Areas at the lower interest rate. The county re-financed \$2,375,000 with Prudential-Bache, which included all the loans and projects for the County. Our Service areas part of that loan was \$70,000. At the time this was done, representatives from Cascadel Woods went down and talked to the board. Also, at about the same time, the law was changed to allow for a 10 year loan. Everything was rolled over and re-financed except for the payment to Dr. Moon. the end result was instead of owing the County for the \$70,000, the payment is now due Prudential-Bache. Certificates of Participation were sold by Prudential-Bache, which are similar to government bonds. Investors bought these because they were government secured and interest free. The payments are made twice a year, in August and February. When it was rolled over, it was rolled over for 10 years instead of 5 years. The interest rate is lower. The average interest rate is 6.75%. The original interest rate was 9% on the loan from the County.

The 1991 schedule was when the assessment was to be

dropped from \$250 per year to \$125 per year. There are 163 parcels that are being billed at \$250. The delinquency rate is 5 to 8%, that has to be allowed for every year. Delinquent accounts cannot be pursued by the County for five years. The taxpayer has five years to pay delinquent taxes. At that time, if taxes are delinquent, the County can sell the property at auction for back taxes.

WHO OWNS THE PROPERTY? When the loans are paid off, the CSA will own the property. CSA is a separate entity from the County directed by the board of directors who are the Board of Supervisors.

The following is a letter received from Mr. DeWall on June 27, 1990.

Report prepared by Rita Stelling
9/28/91