



Town of Scotia Company, LLC

April 26, 2010

**Frank S. Bacik**

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Dear LAFCO Commissioners and Executive Officer:

Thank you for your attendance and attention at the Scotia Community Services District (CSD) Study Session held at the Historic Winema Theater in Scotia on Wednesday April 21, 2010. We appreciated the opportunity to present a summary of the substantial body of information and analyses in the administrative record before you to support our CSD application.

In part, the session was scheduled as a result of the recent announcement by the City of Rio Dell that it would soon file a petition to unilaterally annex the Community of Scotia into the City. As you know, some months ago, our application, analysis and supporting materials, including our Detailed Engineering Analysis (DEA) and Municipal Services Review (MSR) were found to be complete and ready for your review.

At the conclusion of the Session, you directed your staff to require the City of Rio Dell to provide **the same information**, in form and substance necessary for your staff to conduct an **"Apples to Apples"** comparison of all financial matters of importance to the people to be served under each proposal. Very briefly, Scotia's financial analysis is based upon the following:

1. Identification of services provided
2. Sources of revenues for providing funding for each service
3. An annual operating budget was prepared for each service area based upon projected expenditures and revenues

Expenditures include:

- Personal services (based upon projected staffing levels, salaries, estimated benefits and other personal service related costs)
- Materials and Services (based upon typical budgetary line items for projected materials and outside services needed for ongoing O&M)
- An annual contribution for funding future replacement
- Any other required ongoing costs associated with provision of the services
- Annual debt service  
Debt service represents payment of long term financing required for capital improvements (see below)

Revenues:

- Revenue requirements were based on funds needed to satisfy projected expenditures.
- Total annual tax revenues were estimated and an associated revenue amount assigned to each service area based upon the proportion of expenditures.
- User fees required to balance the budget were determined (user fees are based upon a standard Equivalent Dwelling Unit (EDU) method for each service area)

Capital Improvements:

Facilities for each service area were evaluated and capital improvements necessary to upgrade all identified deficiencies related to current and projected needs were planned. A five-year capital improvement plan (CIP) was prepared to address all facilities upgrades. Sources of revenue were identified for financing the CIP

4. With the above information and projections, a five-year line item pro-forma budget was created to represent the agency's ability to provide and fund all of the capital improvements and the services identified.

All of the above is **standard financial analysis** for public agencies and was **required** of the Town of Scotia, LLC in relation to preparation of the Municipal Services Review (MSR).

The City of Rio-Dell should be required to provide the **very same** in updating their MSR for annexation purposes.

When considering facilities, the focus of discussion from Rio Dell to date has been solely on wastewater treatment. In order to perform an "Apples to Apples" comparison, all of the relevant service areas need to be addressed. This requires the identification of current and future deficiencies associated with all of the following civic services:

- Wastewater Collection
- Water
  - Source
  - Treatment
  - Storage
  - Distribution
  - Fire Flows
- Street and sidewalks
- Street lighting
- Recreational Facilities
- Storm drainage
- Fire Protection

To conduct an "Apples to Apples" comparison, the Commission must review Capital Improvement Plans (CIP) and operational budgets for all of the facilities above.

Financial information must

- Identify capital improvement funding sources
- Project ongoing operational budgets for each of the areas of service provided, addressing
  - O&M,
  - debt service,
  - replacement and
  - all other financial obligations.

To be comparable, funding sources **should not project availability of funds from grants or loans for which there has been no application or commitment to fund.** The Scotia CSD financial assessment makes no such projection and anticipates no funding sources based on speculation or surmise.

CONCLUSION

In summary:

- The Commission directed Staff to require this information from Rio Dell;
- Rio Dell representatives said this information would be ready for the June meeting;
  
- The Commission also directed staff to prepare the 'Apples to Apples' comparison based on the level of detail and analysis already before it from Scotia;
- That information is presented in the Scotia MSR, DEA, Environmental Impact Report (EIR) and other analyses in the record in connection with its CSD application.
  
- The Commission chair therefore continued the matter to be heard at a specially set hearing in June, when all the relevant information will be prepared and presented to all the affected Parties.

We laud the Commission's directive to conduct this level of analysis, so necessary to inform a fair and even-handed review and decision.

We stand ready and eager to review the detail forthcoming from Rio Dell as well as your Staff's analysis, report and summary of this data and information. Scotia was obviously unfairly disadvantaged by not having received ANY information or analysis from Rio Dell in advance of the presentations at the Study Session on April 21<sup>st</sup>., and we were denied opportunity even to review the materials presented until after the presentations were over, as the handouts were only then distributed to us.

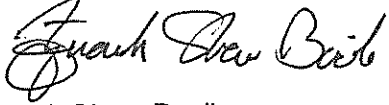
With adequate advance distribution of Rio Dell's detailed financial materials and the staff report at least **three weeks** prior to the LAFCO special meeting now set for late June, we will be ready to make further comments, offer clarifications and answer question from the Commission at that time.

Therefore we respectfully request that at the May 19, 2010 meeting, the Commission set an appropriate schedule for final receipt and circulation of the necessary information, described above, so that it is made available to Scotia and can be meaningfully discussed by the commission, staff and public, understood and explained in the course of the June special meeting.

Daniel Hamilton  
April 26, 2010  
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Thank you for your consideration and attention to this important matter.

Very truly yours,

A handwritten signature in cursive script that reads "Frank Shaw Bacik".

Frank Shaw Bacik  
Vice President, Director of Legal Affairs  
Town of Scotia Company, LLC

cc: Martin McClelland  
Jeff Farley  
Patrick Whitchurch  
Kevin McKenny  
Jeff Pauli  
Bonnie Neely  
Clif Clendenen  
Virginia Graziani  
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