

WHY LATENT POWERS? WORKSHOP

QUESTIONS—COMMENTS—CONCERNS

As a prelude to addressing questions regarding the wisdom of assumption of additional latent powers, it is first appropriate to discuss the process itself. Latent powers are required for community services districts to perform services not currently provided. The Rossmoor CSD currently provides a number of services which would normally be provided by the County of Orange to an unincorporated community. The RCSD pays for the current array of services i.e., parks, recreation, street lighting, etc by an allocation of property tax and street lighting assessment monies already paid by Rossmoor property owners.

The assumption of additional latent powers requires that several conditions be met:

- First, the District must demonstrate that they can deliver an equal or better level of service.
- Second, the District must demonstrate that they have the financial capacity to provide those services.
- The District must also demonstrate that there is widespread community support for the assumption of those latent powers for those additional services.

After a Project Application is filed and fees are paid by the District with the Orange County Local Agency Formation Commission (LAFCO), the LAFCO staff will cause a fiscal analysis of the application to be conducted. If the conditions described above can be met, the staff will bring the matter before the Commission for a hearing to determine whether or not to grant those additional latent powers.

The inherent difficulty with the application process is that the District must attempt to get the respective departments of the County, which provided those services, to agree to the transfer of tax revenues from their respective budgets to the District, so that the District can contract back with those departments or some other agency. The question is why they would want to do that. The most basic reason is that by doing so, it meets an objective of the County to get out of the business of providing local municipal services. Another question is how the District would be able to provide those services at a lower cost. A big reason is that the District would have a much lower overhead for providing those services.

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A major question about how all of this might work can be easily answered. The District currently provides street sweeping services to Rossmoor. The District contracts with a street sweeping company who invoices the District for its services. The District pays for those services and then submits an annual invoice to the County who reimburses the District. This practice has been in place for years with no financial impact to the District or to the community.

The majority of the questions posed at the Latent Powers workshop in February concerned the financial implications to residents. It is first essential to separate the question. It is important for the community to express its sentiments on the question of who should provide municipal services now provided by the County. The County is on record favoring an agreement for the City of Los Alamitos to provide services such as police and animal care on a contract with the County. Some residents view this as a step toward annexation by Los Alamitos. Based on the election results on incorporation, it is not unreasonable to assume that residents do not want to become a part of that city. Obviously, without a survey of the community, that assumption cannot be validated. The only other viable alternative is for the District to provide those services on the same contract basis being proposed for Los Alamitos. Keeping in our current service delivery system appears not to be an option.

This brings us to the second question: What assurances does the community have that there will be no fiscal impact on the community? The only way to answer that is with agreements in place by those County departments currently providing the services. The matter seems simple enough, except that County departments can only estimate the current cost of providing services to Rossmoor. That is because services to unincorporated County islands are budgeted on an aggregate basis, not separated out by individual areas such as Rossmoor. The Comprehensive Fiscal Analysis performed by LAFCO for the incorporation attempt pointed out that extrapolating specific expenses and revenues for Rossmoor were estimates not widely accepted by the community.

The next question is how to get around that inexact calculation. It just boils down to negotiating a reasonable figure with each department for the startup cost and including an escalator for succeeding years based on a reasonable inflation or adjustment factor. Having said all of this, there has to be willingness by the County departments, the County CEO, the County Board of Supervisors and then LAFCO to go along with this and approve the District's application. As difficult as this may seem, similar agreements were reached in the past and there is no reason to believe that new agreements can't be reached now. It should just be a question of what is best for Rossmoor. Or stated another way, who speaks for Rossmoor?

Following is an attempt to respond to questions raised at the workshop based on the information currently available. As new information is obtained, the responses will be updated.

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Community Questions???

1. **Has the RCSD done some sort of long term fiscal analysis to accompany their Latent Powers proposal? Where is the money coming from?** The first part of the question is addressed, above. The second part of the question is simple—it is Rossmoor's tax money. The County collects the tax money they receive from Rossmoor, place into their General Fund, and then allocates it for the services provided to Rossmoor. If Latent Powers were approved, the County would transfer the funds necessary to support the services to the RCSD after negotiations with the District.
2. **Don't more powers equal more District staff to manage contracts and assist the General Manager?** The administration of additional contracts for the services contemplated (police, animal care and refuse collection) is a task easily absorbed by current staff.
3. **Will acquiring Latent Powers inoculate Rossmoor from future annexation? If not, why do it?** No, although Supervisor Moorlach and Los Alamitos Councilman Edgar apparently believe the inverse: that by giving Los Alamitos control over some Rossmoor services; it will pave the way for annexation. Under current law, Rossmoor cannot be annexed unless a majority of Rossmoor voters approve annexation. The primary reasons for advocating the acquisition of additional Latent Powers is threefold: 1) it will improve services; 2) it will provide local control over services provided to Rossmoor; and 3) it will thwart the County's attempt to simply award services to Los Alamitos.
4. **How much money will Rossmoor receive from the County to provide the services activated by each additional Latent Power (Animal Control, Police, and Refuse Collection)? How much will Latent Powers cost?** As previously stated, the costs can only be determined by the analysis conducted by LAFCO. Thereafter, it becomes a matter of negotiating the necessary amount of funds from the County; otherwise, there is no reason to take responsibility for those services. Moreover, the District Board of Directors has no interest in passing on additional costs to the community.
5. **To what degree will District staff increase to meet the additional demands? What will their salaries be?** As previously stated there is no contemplated increase in staff.
6. **Will any additional taxes be imposed on Rossmoor residents as a result of Latent Powers?** Additional taxes can only be imposed by a vote of the electorate and none are anticipated.
7. **Are Latent Powers reversible? In other words if we activate them and then decide we don't want to, or are unable to, manage certain services anymore, will we be able to fall back on the County? Can all powers be returned to the County?** As a part of the LAFCO approval process, the District would have to demonstrate a continuing funding source for those new services. Once the transfer of services was approved and additional County funding negotiated, the District would receive a property tax allocation [(including the new amount(s)] for providing all of the District's services; much as it does now for current services. The District's Board of Directors would then allocate funds to each of the services provided (new and old) through their budget approval process. Once obtained, new services would be a continuing responsibility of the District.

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8. **If we obtain the Latent Powers are we mandated to activate them afterwards?** This would be a matter of negotiations between the District, LAFCO and the County. The District is not aware of any legal requirement that the District activates its latent powers, but we understand that LAFCO staff would seek to make activation mandatory.
9. **Can we activate each power one at a time, or must they all be activated simultaneously?** The District Board has requested the General Manager to make application for three services (police, animal care and refuse collection). This is the most cost effective manner in which to proceed, but the Board could direct otherwise. As stated above, activation of a latent power can only be activated when all conditions are met. It is possible that one service and not another could be approved so it is also possible that activation could be simultaneous or sequential.
10. **What happens if we get the Latent Powers and are unhappy with the services?** Once a new Latent Power is obtained, a resident's recourse is to the District's Board of Directors instead of the County. As previously stated, LAFCO would not approve a transfer of services until the District can demonstrate an equal or better level of service. Instead of dealing with the County's bureaucracy, to try to obtain a response (where only one out of five Supervisors represents Rossmoor), Rossmoor residents would take their concerns to their locally elected representatives on the RCSD Board of Directors.
11. **What's the difference between incorporation and Latent Powers anyway?** Incorporation creates a full service city which must rely on its own resources to provide **all** municipal services. Additional Latent Powers only add to those services already provided by the District and the County would still provide all of the remainder including fire, paramedic, public works, roads and building and planning.
12. **What would the O.C. Sheriff Department do if their jobs were given away to another police department? Aren't they mandated to provide us with services?** The Sheriff is mandated to provide police services to Rossmoor, but the County contends that with the Sheriff's consent, that service can be contracted out to another city. On the other hand, the Sheriff could also consent to the transfer of police services to the District upon activation of this Latent Power. There are currently five CSDs in other counties which provide local police services. Deputies displaced by such a contract would have to be absorbed by the Sheriff's Department.
13. **Do we have a say, and are we privy to the money that will get transferred to us from the County? Will it be enough to sustain the Latent Powers?** Any agreements reached with the County would have to be approved by the Board of Supervisors and the District Board of Directors in a public meeting or meetings. The question of sustainable revenue to pay for those services is addressed in question No. 7, above.
14. **If annexed will Rossmoor have to pay 6% utility users tax to Los Alamitos?** As a general rule, absent special conditions on annexation, residents of an area annexed to a city are subject to all of the same taxes and other requirements as other city residents. In the case of Sunset Beach, its residents were initially told they would be specifically exempted from Huntington Beach's utility tax, but later told they would not be exempt. As you may know, Sunset Beach residents (who did not have the right to vote on annexation) then sued to block the annexation attempt, and

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won the first round of their lawsuit. If Rossmoor was to vote for annexation to Los Alamitos, it is very likely that the matter of new taxes would be a part of the ballot measure.

15. **What's the best deal we can cut with Los Alamitos?** Rossmoor has no ability to reach any agreements with Los Alamitos. Only the County and LAFCO have the power to do that. It is clear, however, that if the County subcontracts Rossmoor services to Los Alamitos, Rossmoor residents will absolutely have no say in that decision.
16. **Shouldn't we keep Los Alamitos as a friend and not an enemy?** It is not a question of friendship. Los Alamitos, the County and LAFCO are committed to changing the way Rossmoor residents receive municipal services. Each of these entities has their own agenda in this regard. The real question is who can best serve the local services needs of the Rossmoor community i.e. the District or the City of Los Alamitos?
17. **What are the unintended consequences of moving forward with Latent Powers? What's the next shoe the County is going to drop? Does the District have a strategic point of view or a reactive point of view?** The issues at hand are evolving and are basically a moving target. To do nothing is to invite takeover. If the attempt at Latent Powers is thwarted, Rossmoor becomes more vulnerable to services being provided by Los Alamitos and possible annexation of the Rossmoor Shopping Village (Fish Co., etc), a situation similar to the Shops at Rossmoor (Seal Beach).
18. **Can the inhabited portions of Rossmoor be annexed without a vote? What about the business corner; can that be annexed without a vote of the people?** An annexation of all of Rossmoor would require a vote of Rossmoor's residents. Note, however, the LAFCO has previously approved piecemeal annexation of larger islands and thereby avoided holding a vote of the people, and it could seek to employ the same strategy with Rossmoor, annexing one or two blocks at a time until all of Rossmoor was absorbed without ever holding a vote. In all events to annex the Rossmoor Shopping Village would only require the approval of a handful of property owners in that area.
19. **If annexed, would Rossmoor have more representatives than Los Alamitos? Would we control them voter-wise?** Although the populations are relatively equal, the number of registered voters in Rossmoor is greater than Los Alamitos and Rossmoor residents to vote at a higher rate, increasing their advantage. Under Los Alamitos' Charter, annexation would result in dividing the new city into 7 districts. Thus it is likely that there would be 3 Rossmoor and 3 Los Alamitos districts with one blended district. The real question is whether it is in the best interest of Rossmoor to take on the issues facing Los Alamitos.
20. **Why do we always seem to receive negative and inaccurate news from the County?** That is a question which it would not be inappropriate for us to answer on the County' behalf. We would suggest that you contact your County Supervisor regarding such concerns.
21. **If monies paid to the County are not fully returned to the District, could the District have legal counsel serve them with an injunction?** This is a legal question which would require legal research (at taxpayer expense), and is currently entirely hypothetical. As a result, the District is not able to answer the question at this time.