

CSD Community 5-Year Plan Question & Answer

This document compiles questions submitted by the community regarding the upcoming election to reset the CSD 5-Year Plan in 2025. Residents should have received a [Public Hearing Notice](#) by mail, which includes important details about the proposed fee increases. As noted in the notice and accompanying [community letter](#), the Public Hearing will take place on Wednesday, April 30th.

Questions were submitted through the anonymous [Google Form](#) and will be answered and updated here on a rolling basis. This Q&A will be distributed to all voters prior to the Public Hearing to support informed participation.

Questions and Answers

Q: It seems like the only two choices presented here are yes or no. It is not clear on what would happen if the majority voted no? What would be the next steps?

A: [As we are required to conduct our property fee and tax generation activities in accordance with California's legal framework \(Proposition 218 for Property Related Fees and Mello-Roos Taxes for certain assessments\), the election process is a Yes or No vote mechanism.](#)

Q: What does happen if the majority votes no on the current choice? Is it back to the drawing board, or some kind of shut down?

A: [No- there will not be a shutdown of essential services \(water, wastewater\) A failure to secure voter approval for any fee increase would require us to remain at the current fee structure \(4% per/yr increase\). This would certainly entail a curtailment of service levels in Gatehouse, Security, and Roads- and a virtual cessation of capital projects. Any time sensitive repairs/replacements would continue to draw down the reserves.](#)

Q: Is the current proposal a continuation of what we have been doing? How is the proposed 5-Yr plan different from how CSD has operated the past 4 years?

A: [In terms of the proposed 5-Year Plan being a continuation of what we have been doing: the proposed way ahead entails a fundamental change in how we have approached capital spending and major repairs & replacements. In the past, the capital projects were evaluated and approved as a separate component of the overall budget. CSD has proposed to the board that we embed an annual Capital Improvement Plan \(CIP\) budget \(planned at \\$750K per year\) inside the operating budget and hold ourselves to that budget barring an infrastructure emergency \(e.g. a treatment plant failure, landslide](#)

that takes out 40ft of roadway, etc.). The additional revenue generated by the proposed fee increase would go toward the critical goal of replenishing the strategic reserves to a level that the board deems appropriate for meeting an emergency need. That is what our reserves should be for- not year over year capital/replacements. We should plan and prioritize for those year over year costs and protect the reserves for emergencies.

Q: How aggressive is our procurement team with pushing vendors for better pricing? Do we constantly look for alternatives to keep current vendors more competitive?

A: This is a constant challenge. We must remain vigilant against 'vendor lock in'. Our department managers do a good job of sourcing supplies and parts from a variety of vendors, and that is evidenced by the purchase requests registered in our purchasing software. Our vendors run the gamut from local entities to Amazon or even eBay if appropriate. We also adjust the quality (thus the cost) of items where that risk is acceptable- Tires are a great example. We switched from BF Goodrich and Michelin to Yokohama for our security fleet because they were 10% cheaper. There are cases, however, where that risk is not acceptable, or vendors are limited- certain high pressure components of water wells and water plant infrastructure are examples of this. Vendor 'gouging' is also a constant challenge, as we saw with pig fencing last fall.

Q: Do we have to make some choices about reducing certain tasks (and ultimately headcount)? Do we have to have as many security people doing speed checks etc. seems like we could really look at tasks that have just always been there. If we did the exercise of having to reduce headcount 5%, what would it look like?

A: This is a question for the community to ultimately decide. Per our LAFCO charter, we are only allowed to provide the services outlined in that charter. We actually have ceased activities in our charter such as Telecom Services. Once the AT&T fiber infrastructure project was complete, we ceased that activity. We do not maintain any staff or infrastructure to provide residents this service. It is privatized. As to reducing service levels (e.g. fewer gatehouse operators, security personnel), that would be up to the Board to decide, and it is management's position that we are operating at a lean posture. For example, we had a gatehouse staff call in sick on a Monday morning last month and the line of vehicles attempting to enter the property reached the Quail Meadows entrance by 8 am. A 5% headcount reduction would be 2 FTEs, and that would have to come out of Gatehouse staff, as the Water/Roads/Security/Trash Removal are 'Life, Health, and Safety' services and must be protected.

Comparison with the Preserve is difficult, as we are so unique, but we have looked at some other agencies to see how we compare.

- The Marina Coast Water District (Not a direct comparison, but the closest water entity that manages wells). It has a staff of 49, a \$22M budget, and manages 4 wells. Our Water Department has a staff of 7, a \$2.4M budget, and manages 79 wells.
- The City of Carmel Public Works Department has a staff of 29, a \$5.4M operating budget, a \$10M Capital Improvement Budget, and is responsible for a 1-square mile densely populated footprint. Our PW Department has a staff of 18, a \$4.8M operating

budget (capital not included), and is responsible for PW infrastructure that spans 31 square miles of very rugged terrain. Our PW Department is inclusive of the Water Department in staff and budget numbers.

- There is no security entity that is a good comparison for ours, but we have only 2 security personnel on shift at any given time on the entire 20k acre property. Management would be hesitant to reduce that presence any further.

Q: Is the fleet of vehicles we pay for still appropriate? Can it start to age out?

A: In short, we believe it is. Our fleet is modest in size for the area that our staff has to cover. As one can imagine, the topography here is exceptionally hard on vehicles and equipment, and we are fortunate to have in-house maintenance to keep our fleet viable. We maintain almost no 'contingency' equipment other than a bulldozer (we maintain that because in event of fire, that capability is required in minutes not hours). Longer term, electrification of our fleet could be the greatest opportunity for savings, but the landscape for EVs and charging technologies relative to fuel costs is still unclear.

Q: Are there other areas you have looked at to gain efficiencies or reduce costs?

A: There are certainly other areas where efficiencies or cost avoidance opportunities exist. Insurance and Solar are two which the board is exploring currently, and which offer the most relief quickly. For example, the solar project for the Water Plant is our #1 capital project next year, as it would begin to offset PG&E costs by approximately \$50k/year.

Q: What would a budget that is in line with inflation look like? Many fees and dues are being raised and may be causing 'increase fatigue'. Are we concerned that costs may deter new residents from moving here.

A: The model that we currently operate under is basically an inflation-indexed model (Operating Expenses increase at 3.5% and Fees increase at 4%). This model has failed to keep pace with increasing costs and has depleted any operating surplus that would otherwise fund capital improvements and major repairs/replacements. The effects of this have compounded since the implementation of the last 5 year plan in 2021. A continuation of operations at this rate structure would require CSD to enter into a 'Break/Fix' mode as opposed to a preventative maintenance posture. This would increase risk of infrastructure component failures and likely result in higher costs over time. We completely understand the concerns surrounding increasing costs and are acutely aware of how much of a financial burden falls on the shoulders of such a small number of people. The lack of property tax revenue coming back onto the Preserve is a structural challenge for us as we map a way forward for the CSD and the wider Preserve community. That way forward, as you can see from our community letter, includes a necessary fee increase but also significant reigning in of capital spending in order to stabilize the budget and replenish a depleted reserve. We would highlight that the 7% increase is a Maximum rate and that the board can adjust downward if our costs stabilize and our reserves return to an acceptable level. It is our goal to reduce the annual fee increase rate at the earliest possible point in the 2025-2030 timeframe. Ultimately, the

deterrent effect of failing infrastructure and poor roads on prospective buyers will be greater than the costs of addressing our challenges now.

Q: To make an informed decision on this 7% annual cost increase it would help to see the entire financial picture, including the anticipated costs for the major road project that will be requested during this same time frame. I know they are separate votes, but assuming you've got rough road cost estimates worked out, it would really help to see a spreadsheet comparing the current line item tax rates vs the new rates if this plan and the road assessment are both passed.

You are correct in that the 5-Year Plan fee increase and the Road Revitalization Program are separate elections. This is an important distinction. The 5-Year Plan fee structure funds the CSD's baseline operations, minor capital replacements, and sustainment of the reserves. The CSD must generate these property fees in order to provide the required municipal services. The Road Revitalization election is ultimately a discretionary decision by the community on whether or not to undertake the long-term repaving of our private road network.

As was noted in the Notice of Hearing and the Community Letter sent to owners last month, the proposed 7% increase equates to an annual increase of approximately \$1,575 per parcel owner.

The previous General Manager commissioned an engineering study of our roads in 2023 and presented those findings to the community in a State of the Preserve event in December of that year. At that time, the report called for a 15-year program of road paving at an estimated cost of \$2M per year (approximately \$6,300 per parcel).

As it has been over two years since the original pavement study, the CSD recently refreshed that report which included a complete LIDAR scan of 100% of our road surfaces. The CSD expects that final report by the beginning of May in order to make a more accurate budgetary forecast of the cost per parcel owner should the community elect to undertake the roads project. Until an updated engineer's report is in hand, it is extremely difficult to accurately forecast the costs of road paving per parcel owner.

Q: Please explain why the Community Services District taxes assess all homeowners the same flat fee regardless of the size of the lot, the improvements, or the value.

The County of Monterey property taxes fluctuate between the Assessor Parcel Numbers, based on the value of the land and the improvements. In Monterey County, our property taxes are limited to an annual increase of 2%, although currently the county only assesses a 1% increase annually. These county property tax increases are far lower than the current CSD tax rate of 4%, and now this proposed increase is up to 7%.

With all the growth in the Preserve, and before another CSD annual tax increase, isn't it time to recalculate the CSD assessments to be more equitable to each homeowner?

A: As stated in the question, Monterey County property taxes are set based on the value of a parcel and associated improvements. In accordance with California statutes, specifically Proposition 218, the CSD can only allocate fees based on the cost of delivering the service to the population (cost of delivery divided by # of parcels).

CSD allocates costs to parcel owners in two primary categories. The first category is 'commodity usage' or 'fee for service'. Examples of this are tiered water usage charges, lot mowing services, concierge services & home deliveries requiring security personnel, etc). Those with undeveloped parcels do not carry this burden.

The second category is Infrastructure and Staffing for provision of property related services common to all parcels. Those property related services are Water, Wastewater (sewer or septic), Road & Drainage Maintenance, and Security/Gatehouse Operations. Our four main property related fees are allocated by dividing the annual cost of service provision to each parcel that equally benefits from the service and supporting infrastructure. Both developed and undeveloped parcels benefit from having active utilities extended to their lot boundaries (e.g. pressurized water hydrants at the lot line, sewer laterals, safe roadway access and erosion control, and assurance that unauthorized access to their property is prevented).

The best example of this is the Preserve water system. Our system is comprised of a very large and complex matrix of pipelines, treatment plants, pump stations, storage tanks and wells spread over 20,000 acres. The cost to maintain and operate such a system is sizable and is shared by all parcel owners including the Golf and Ranch Club. Another example of fees not levied to lot owners is septic service. You do not pay a septic wastewater fee until you install a septic system.

The comparison in assessment percentages between the County and our community is problematic in that the total cost of providing services is what drives our fee structure. Monterey County can spread the cost of services across the entire population of 430,000 residents, whereas the Preserve must fund service provision across a far smaller population of 316 parcel owners.

Q: I was surprised to see The Ranch Club pays the same as one single residential tax payer, and the Golf Club and Golf Course combined pay just slightly more than two residential taxpayers for the four CSD areas to be voted on for an increase.

With the recent changes to Club membership structures, Clubs have grown faster than homeowners here, and it's not just residents who benefit from these services; club members are also users of the roads, gates, water, waste system, security, etc.

Assuming the Clubs split CSD costs equally among members via dues, 276 Ranch Club member families pay \$90 a year for these CSD services, 332 Golf Club members pay \$176 per family, and resident taxpayers pay \$24,888, plus \$90 and/or \$176 if they are also Club members.

As we take on the burden of rising costs and aging infrastructure, is it time to revisit the split so the Clubs take on a more equitable share and so skyrocketing property tax rates don't turn off new home buyers here?

As it stands, in Year I alone, this proposed increase will add \$1,742 for resident tax payers, yet just \$6.31 for Ranch and \$12.32 for Golf Club members who do not pay property taxes here. An equitable split might create a negligible increase for Club members, while offsetting an unfairly large burden for each resident taxpayer.

As I was about to submit this, I saw your answer to the last question, that said CA Prop 218 forces you to spread assessments equally across all properties. But the Legislative analysis of Prop 218 states: "Finally, the local government must set individual assessment charges so that no property owner pays more than his or her proportional share of the total cost. This may require the local government to set assessment rates on a parcel-by-parcel basis." I read that to say we must focus on making it proportional, not equal. Here's the link to the document; the reference above is in the 'Calculations Requirement' section.

https://lao.ca.gov/1996/120196_prop_218/understanding_prop218_1296.html

A: State law requires that we charge each parcel based on the “proportional cost of the service attributable to the parcel.” That means that we can’t charge on a “per head” basis, but instead charge based on the characteristics of the parcel and our costs of providing service. We can’t differentiate between a residential parcel that houses someone who is also a club member and a residential parcel that does not house such a person. And our goal cannot be to equalize the amount paid by each resident through property taxes and the amount indirectly paid by each club member through their club dues.

The CSD is not involved with how each club sets the dues it charges to its members. Therefore, any decision about charging higher dues to non-residents than to residents are made by each club.

For reference, the Golf Club and the Ranch Club each pay substantially more than each homeowner. This is because, in addition to the fact that their per parcel rates are different from the rates for an estate residential parcel, the Golf Club is an owner of 3 Parcels (Clubhouse, Course, and Driving Range) and the Ranch Club is an owner of 4 Parcels (Hacienda, Sports Center, Equestrian Center, and 1 Vacant Parcel). The rates for each of these types of parcels is not identical, but is based on parcel characteristics.

Note that our four fees are technically “property-related fees”, not “assessments against real property.” Assessments and fees are subject to different parts of Proposition 218, though both assessments and fees have proportionality requirements.

Q: The last answer on fee allocation didn’t answer the root question. Let’s take one simple example: The proposed fee for Security and Gates in 2025-2026 is exactly the same, \$7,902, for the Ranch Club, the Golf Club, and for one single home on the Preserve, even though the Ranch Club and Golf Club use the gates and security staff many hundreds of times more than a single residential estate does. Isn’t it fair to look at how these fees are allocated to be more proportional?

A: The scope of the Security and Gatehouse departments’ responsibilities is to control access to the property (Gatehouse) and to patrol/respond to calls for service (Security). The area coverage applies to all areas within the boundaries of the Preserve.

Using the example of Security and Gates: In reviewing security reports for FY2024, the data shows that Estate Residential (Owner) use of security and gatehouse services far exceeds use by the Clubs. The one exception is medical calls, of which the vast majority are generated by the Clubs. The data for 2024 shows:

Owner Requests: 343

Residential Storm Checks: 81

Burglar/Fire Alarms: 101

Medical Calls (95% of these calls originate at the Clubs): 44

The total count of Residential Estate calls for service equates to 525 service requests compared to 44 calls for medical service. Estate Residential usage accounts for over 90% of service calls.

Q: It’s hard to go through this kind of detail in a Q & A format, so thank you for your efforts to help us understand this better. Can the fair allocation question be addressed before we vote on new fee proposals? Can you confirm, if using the full 7% increase on these 4 services, a Preserve residence on sewer will pay \$10,020 more in property taxes in year five than we currently pay? And the road repair project is not included in that \$10,200?

A: We will, of course, continue to do our best to address the fair allocation question (and all other questions) throughout this election process. As always, the CSD management team is always available to discuss any issue at residents’ convenience.

The current consolidated Water, Wastewater, Roads & Drainage, and Security/Gatehouse fees for Estate Residential parcels with a sewer connection in FY25 is \$24,888.31. The

total of these same 4 fees in FY2030 *could* total \$34, 907.14 if the CSD board chooses to implement the maximum annual increase of 7% each year. That would be a total aggregate increase of \$10,018.83 over the 5 years. The board has the decision space each year to assess the District's financial condition and adjust the fee increase to a lower annual percentage. The Road Revitalization Project is not included in this election and proposed fee increase. The repaving project, if the board chooses to pursue it, would be a separate election.