

MEMORANDUM

October 16, 2006

To: The Sea Ranch Association Board of Directors
From: CSD Evaluation Subcommittee
Subject: Interim Report on CSD Formation

The CSD Evaluation Subcommittee has been considering the requirements and terms and conditions attendant to forming a Community Services District (CSD) whose boundaries would be those of The Sea Ranch. A CSD would incorporate the water system, the sewer system, and the septic zone. Over time, a wide range of additional governmental powers might be added to the CSD. The attractions of a CSD are access to lower cost funds for the Water Company's Capital Improvement Plan and greater local control over governmental functions.

As previously reported, we believed that a critical path milestone for the formation of a CSD that would have a Board identical in composition and term to the TSRA Board would require special State legislation. We have discussed this with our County Supervisor, County Counsel, and assistants to State Senator Pat Wiggins and Assemblyperson Patty Berg. The conclusion, based on the precedents of case law, is that there is no way to achieve our goal constitutionally.

After brainstorming, it appears that we have four alternatives to consider as we continue to pursue the objectives of access to lower cost funds for the Water Company's Capital Improvement Plan and greater local control over governmental functions. These are:

- A County Benefit Zone whose Board would be the Sonoma County Board of Supervisors acting through an Advisory Board consisting of the Association Board members. If the appropriate County Ordinance were adopted, the Board of Supervisors could take no action not approved by the Advisory Board. A Benefit Zone can have the same range of governmental powers as a Community Services District.
- A County Water District with a five person Board elected to four-year terms by the registered voters whose voting residence is on The Sea Ranch together with non-resident Sea Ranch property owners. Such a District would be limited to water, sewer, and septic powers.
- A Community Services District with a five person Board elected to four-year terms by the registered voters whose voting residence is on The Sea Ranch.
- Retaining the *status quo*.

Each of these alternatives appears to have costs, benefits, and risks for The Sea Ranch. We are undertaking preparation of a matrix that will compare the characteristics of each of the four alternatives and that will illuminate discussion of costs, risks, and benefits. We recommend that the Board include a workshop discussion of the matrix on the December 8 Board of Directors meeting agenda.