

**LEONA QUARRY GEOLOGIC HAZARD ABATEMENT DISTRICT
BUDGET FOR FISCAL YEAR 2022/23**



June 7, 2022

Leona Quarry Geologic Hazard Abatement District Board of Directors:

Chair Loren Taylor	Boardmember Carroll Fife
Boardmember Rebecca Kaplan	Boardmember Sheng Thao
Boardmember Dan Kalb	Boardmember Noel Gallo
Boardmember Nikki Fortunato Bas	Boardmember Treva Reid

Leona Quarry Geologic Hazard Abatement District
Oakland City Hall
One Frank Ogawa Place
Oakland, CA 94612

Subject: Leona Quarry Geologic Hazard Abatement District
Oakland, California

BUDGET FOR FISCAL YEAR 2022/23

- References:
1. ENGEO; Engineer’s Report for Geologic Hazard Abatement District, Leona Quarry, City of Oakland, California; August 13, 2004, Latest Revision February 23, 2005; Project No. 5188.1.001.02.
 2. ENGEO; Reserve Fund Study, Leona Quarry Geologic Hazard Abatement District, Oakland, California; May 1, 2020; Project No. 5188.002.019.

Dear Chair Taylor and Boardmembers:

Attached is the proposed budget for the Leona Quarry Geologic Hazard Abatement District (GHAD) for fiscal year (FY) 2022/23. The FY for the Leona Quarry GHAD is from July 1 through June 30. The budget as proposed is \$266,010. The budget expenses break down into the following approximate percentages of the total expenditures.

Major Repair	0 percent
Preventive Maintenance and Operations	64 percent
Special Projects	0.2 percent
Administration and Accounting.....	20 percent
Additional - Outside Professional Services.....	16 percent

The budget anticipates FY 2022/23 revenue of \$175,000. A summary of the expenses is shown on Table 4 followed by a brief description of each budget item on the following pages.

If you have any questions regarding the contents of this letter, please contact us.

Sincerely,

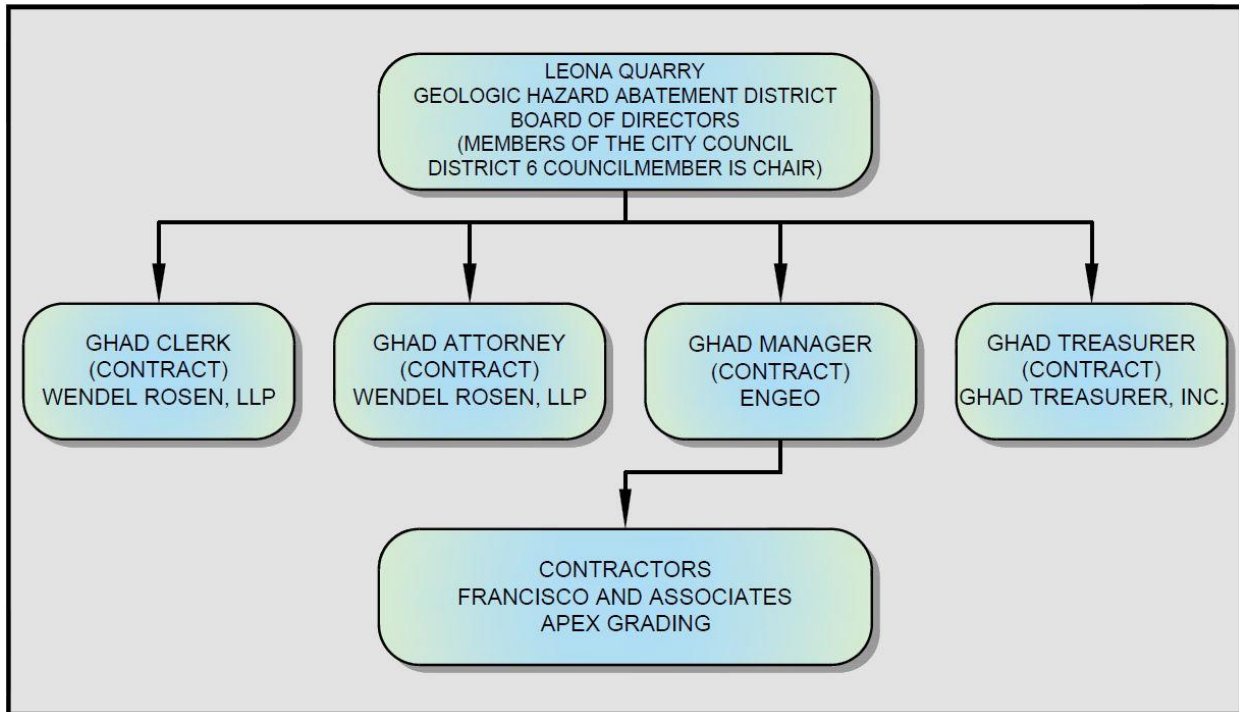
Leona Quarry Geologic Hazard Abatement District
ENGEO Incorporated, General Manager
1630 San Pablo Avenue, Suite 200
Oakland, CA 94612
ENGEO Project No. 5188.002.021


Eric Harrell
eh/hjr/jf


Haley Ralston

**Leona Quarry Geologic Hazard Abatement District
 Program Budget
 Fiscal Year 2022/23**

The following budget summarizes the anticipated revenue and expenditures for FY year 2022/23 for the Leona Quarry Geologic Hazard Abatement District (GHAD), which currently includes the Monte Vista Villas development. The structure of the Leona Quarry GHAD is shown below.



The Leona Quarry GHAD has maintenance and monitoring responsibilities and is the property owner for the following parcels within the District. It is anticipated that additional parcels may be offered to the GHAD in FY 2022/23. The exact timing of any offer of transfer from the developer to the GHAD will be determined by the developer; however, the developer will remain responsible for all responsibilities described in the Plan of Control until the transfer for these additional parcels have been completed.

TABLE 1: GHAD-Maintained Parcels

ASSESSOR'S PARCEL NUMBER	PARCEL DESIGNATION (VESTING TENTATIVE MAP)	TRACT
37A-3163-2	A	7351
37A-3163-3	C	7351
37A-3163-4	D	7351
37A-3163-5	E	7351
37A-3163-9	F	7493
37A-3163-11	R	7493

The GHAD is funded through real property assessments and the return on investments from existing reserves. The FY 2021/22 assessment limit was set at \$1,626.76 per residential unit adjusted up 3.15% from the 2020/21 assessment level of \$1,577.01. The assessment limit annual adjustment is based on the 2005 Engineer's Report using the San Francisco-Oakland-Hayward consumer price index (CPI) plus one-half of one percent. The additional one-half of one percent amount above calculated CPI adjustment was eliminated by Board Resolution 2021/02 starting in FY 2021/22.

The residential parcel levy has been suspended for fiscal years 2020/21 and 2021/22 in part because the GHAD's account balance exceeded the target reserve established in the approved 2005 Engineer's Report (Reference 1) and updated in the Reserve Study completed in 2020 (Reference 2). In 2005, it was forecast that an adequate reserve would be accumulated over approximately 40 years, but based on lower GHAD expenses, this was achieved in approximately 15 years.

TABLE 2: Assessment Limit Inflation Adjustments

FISCAL YEAR	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
ANNUAL CPI (JUNE)	618.4	642.7	664.421	692.68	693.839	701.273	718.293	737.231	756.074
SF/OAK, 1967=100		3.93%	3.38%	4.19%	0.23%	1.07%	2.43%	2.64%	2.56%
ADDITIONAL 0.5%		0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
TOTAL CPI		4.43%	3.88%	4.69%	0.73%	1.57%	2.93%	3.14%	3.06%
ASSESSMENT LIMIT (SINGLE FAMILY)	\$983.00	\$1,026.54	\$1,066.37	\$1,116.39	\$1,124.51	\$1,142.18	\$1,175.61	\$1,212.48	\$1,249.54
COMMERCIAL (per square foot)	\$0.25000	\$0.26107	\$0.27120	\$0.28393	\$0.28599	\$0.29048	\$0.29899	\$0.30836	\$0.31779

FISCAL YEAR	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
ANNUAL CPI (JUNE)	778.767	796.597	817.884	846.360	879.435	907.709	922.381	951.481
SF/OAK, 1967=100	3.00%	2.29%	2.67%	3.48%	3.91%	3.22%	1.62%	3.15%
ADDITIONAL 0.5%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.0%
TOTAL CPI	3.50%	2.79%	3.17%	3.98%	4.41%	3.72%	2.12%	3.15%
ASSESSMENT LIMIT (SINGLE FAMILY)	\$1,293.29	\$1,329.37	\$1,371.51	\$1,426.09	\$1,488.98	\$1,544.37	\$1,577.01	\$1,626.76
COMMERCIAL (per square foot)	\$0.32891	\$0.33809	\$0.34881	\$0.36269	\$0.37868	\$0.39277	\$0.40108	\$0.41373

Based on the CPI figures reported through February 2021 for budgeting purposes, we estimate a FY 2022/23 inflation rate adjustment of 5 percent. The actual CPI adjustment for the FY 2022/23 assessment limit will be based on the inflation rate through June 30, 2021, for the past 12 months. Based on the GHAD's current account balance and the anticipated expenditures in the proposed FY 2022/23 budget, the GHAD will maintain an account balance above the target reserve; therefore, the GHAD Manager recommends a suspension of the levy on each residential unit in the GHAD for FY 2022/23. As provided in the approved Engineer's Report, the assessment limit will continue to be adjusted for inflation annually. The proposed

levy suspension for FY 2022/23 does not preclude the GHAD Board in the future from increasing or decreasing the levy of the assessment up to the inflation adjusted assessment limit. This determination is made by the GHAD Board each year in approving the annual budget for the GHAD, As long as the GHAD Board levies future assessments in accordance with the Engineer's Report, a vote of property owners is not required; a vote is only required if the assessment limit is increased beyond that allowed in the Engineer's Report.

The GHAD Treasurer has estimated that dividend and interest income for FY 2022/23 should be approximately 1½ to 2 percent above the rate of inflation. For budgeting purposes, we have assumed the lower estimate (1½ percent) when estimating dividend and interest income. The GHAD Treasurer maintains an estimate that the long-term inflation rate will average approximately 2 percent, but in FY 2022/23 may be above this level. As a conservative estimate, we have assumed an inflation rate of 2 percent for estimating total revenues in Table 3.

TABLE 3: Estimated Revenue

	FY 2022/23 ESTIMATE
Residential units subject to an assessment	427
Assessments (FY 2022/23)	\$0
Dividend and interest income	\$175,000
Total Revenues	\$175,000

The budget amounts listed are based on the Engineer's Report approved by the Leona Quarry GHAD Board of Directors in 2005. The budget amounts have been inflation adjusted to provide the listed budget estimates. In the 2022/23 fiscal year, we estimate that all the 427 residential parcels within the Leona Quarry GHAD will be subject to a levy of the assessment. Parcels are subject to a levy of the assessment the first fiscal year following issuance of a building permit for each parcel.

The GHAD budget is divided into four categories including Major Repair, Preventive Maintenance and Operations, Special Projects, and Administration and Accounting.

MAJOR REPAIR

Included within the major repair category are those repair or improvement projects that are intermittent and, by their nature, do not fit within a scheduled maintenance program. Minor slope repair and erosion control items are generally funded within the Preventive Maintenance and Operations category. For the purposes of this budget, we define major repairs as those estimated at over \$50,000.

PREVENTIVE MAINTENANCE AND OPERATIONS

Preventive maintenance and operations include slope stabilization, erosion protection, and professional services within the District. Professional services include site-monitoring events as scheduled in the GHAD Plan of Control. Slope stabilization and erosion protection responsibilities include the open space slopes and creek channels. GHAD-maintained improvements generally include the District's slopes, concrete-lined drainage ditches, retaining walls, subsurface drainage facilities, monitoring instruments including settlement monitoring devices, storm drain facilities, and the creek channels.

SPECIAL PROJECTS

The Special Projects category allows the GHAD to budget for projects beneficial to the GHAD that are not included in one of the other three categories. Special Projects can include items such as global positioning system (GPS)/geographic information system (GIS) development for GHAD-maintained improvements; website development and maintenance; and reserve studies to reevaluate the financial condition of the GHAD.

ADMINISTRATION AND ACCOUNTING

Administrative expenses include the General Manager duties related to the operation and administration of the GHAD. The administrative budget category includes tasks of the General Manager, clerical, and accounting staff.

A summary of the proposed budget through the end of FY 2022/23 is shown in Table 4.

TABLE 4: Summary of Use of Funds

USE OF FUNDS				
	FY 2021/22 ESTIMATE*	FY 2021/22 BUDGET	FY2022/23 PROPOSED	PERCENT CHANGE FROM FY 2021/22
Major Repairs				
Subtotal	\$0	\$0	\$0	0.0%
Preventive Maintenance and Operations - Professional Services				
Scheduled Monitoring Events	\$16,000	\$16,000	\$18,000	
Heavy Rainfall Monitoring Event	\$0	\$4,000	\$4,000	
Subtotal	\$16,000	\$20,000	\$22,000	10.0%
Preventive Maintenance and Operations - Maintenance and Operations				
Concrete-Lined Drainage Ditches	\$7,585	\$10,500	\$10,500	
Trail, Fire Break and Fence Maintenance	\$45,000	\$45,000	\$45,000	
Detention and Sedimentation Basin Maintenance	\$1,200	\$3,000	\$3,000	
Erosion Control including Creek Channels	\$3,000	\$30,000	\$30,000	
Slope Stabilization	\$5,000	\$60,000	\$60,000	
Subtotal	\$61,785	\$148,500	\$148,500	0.0%
Special Projects				
Web Site Maintenance/Updates	\$400	\$1,000	\$500	
Subtotal	\$400	\$1,000	\$500	-50.0%
Administration – GHAD Manager				
Administration	\$25,000	\$48,000	\$48,000	
Budget Preparation	\$4,000	\$4,000	\$4,000	
Subtotal	\$29,000	\$52,000	\$52,000	0.0%
Administration and Accounting – Outside Professional Services				
Assessment Roll and Levy Update	\$0	\$0	\$0	
Legal Counsel	\$5,000	\$15,000	\$15,000	
Treasurer and Investment Manager	\$13,500	\$22,500	\$22,500	
Clerk	\$0	\$3,000	\$3,000	
Alameda County Assessor's Fees	\$140	\$0	\$0	
California Association of GHADs Membership	\$204	\$210	\$210	
Insurance – Directors and Officers	\$948	\$800	\$950	
Insurance – General Liability	\$1,350	\$1,350	\$1,350	
Subtotal	\$21,142	\$42,860	\$43,010	0.3%

*FY2021/22 Estimate Includes Actual Expenses through April 29, 2022

TABLE 5: Summary of Proposed Fiscal Year 2022/23 Budget

BUDGET ITEM	LABEL	BUDGET AMOUNT	PERCENT OF TOTAL BUDGET (FY 2022/23)
MAJOR REPAIRS			
Major Projects	TOTAL	\$0	0%
PREVENTIVE MAINTENANCE AND OPERATIONS			
Professional Services			
Scheduled Monitoring Events			
Open Space Scheduled Monitoring Events		\$18,000	
Heavy Rainfall Monitoring Event		\$4,000	
	Subtotal	\$22,000	
Maintenance and Operations			
Concrete-Lined Drainage Ditches		\$10,500	
Trail, Fire Break and Fence Maintenance		\$45,000	
Detention and Sedimentation Basin Maintenance		\$3,000	
Erosion Control including Creek Channels		\$30,000	
Slope Stabilization		\$60,000	
	Subtotal	\$148,500	
	TOTAL	\$170,500	64%
SPECIAL PROJECTS			
Web Site Maintenance/Updates		\$1,000	
	TOTAL	\$1,000	0.2%
ADMINISTRATION – GHAD Manager			
Administration		\$48,000	
Budget Preparation/Annual Reporting		\$4,000	
	Subtotal	\$52,000	20%
Outside Professional Services – Nontechnical			
Legal Counsel		\$15,000	
Treasurer		\$22,500	
Clerk		\$3,000	
California Association of GHADs Membership		\$210	
Insurance – Directors and Officers		\$950	
Insurance – General Liability		\$1,350	
	Subtotal	\$43,010	16%
	TOTAL	\$95,010	
ESTIMATED EXPENDITURES	TOTAL	\$266,510	

BUDGET ITEM	LABEL	BUDGET AMOUNT	PERCENT OF TOTAL BUDGET (FY 2022/23)
ESTIMATED RECEIVABLES			
ESTIMATED RESERVE ON JUNE 30, 2021		\$5,469,119	
Estimated 2021/22 Revenue			
Estimated FY 2021/22 Assessment Income		\$0	
Estimated FY 2021/22 Investment Income		\$-356,494	
Estimated 2022/23 Expenses			
Expenses through June 30, 2022		\$128,927	
ESTIMATED RESERVE ON JUNE 30, 2022		\$4,983,698	
Estimated 2022/23 Revenue			
Estimated FY 2022/23 Assessment		\$0	
Estimated FY 2022/23 Investment Income		\$175,000	
Estimated 2022/23 Expenses			
Expenses through June 30, 2023		\$266,010	
ESTIMATED RESERVE ON JUNE 30, 2023		\$4,892,688	

Section 5.1 of the approved GHAD Management Agreement provides that a payment limit shall be determined each fiscal year by the GHAD Board of Directors by resolution. For fiscal year 2022/23 (July 1, 2021, through June 30, 2022), the payment limit is set at \$100,200. The tasks included within the payment limit may include site monitoring events, report preparation, oversight of maintenance and repair projects, administration, and assessment roll updates.

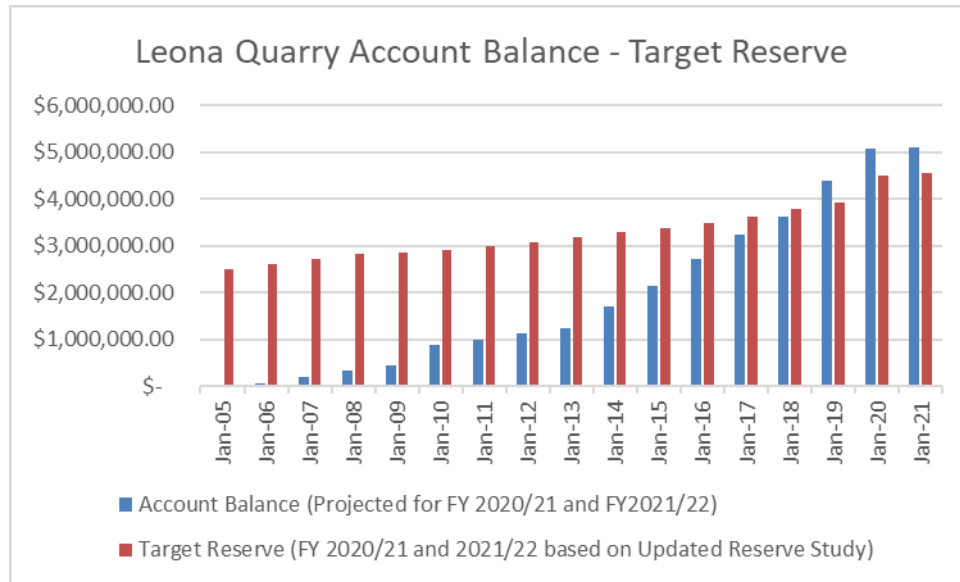
TABLE 6: Payment Limit

TASK	AMOUNT
Scheduled Monitoring Events	\$18,000
Heavy Rainfall Monitoring Event	\$4,000
Concrete-Lined Drainage Ditches	\$2,100 ¹
Trail, Fire Break, and Fence Maintenance	\$9,000 ¹
Detention and Sedimentation Maintenance	\$600 ¹
Erosion Control Including Creek Channels	\$4,500 ¹
Slope Stabilization	\$9,000 ¹
Special Projects (Web, GIS, and Reserve Study)	\$1,000
Administration and Accounting	\$48,000
Budget Preparation	\$4,000
Amount Total	\$100,200

¹Dependent on maintenance and/or repair activities by the GHAD during FY 2022/23. ENGEO payment limit is up to 20% of the total budget item.

The current Program Budget projects that at the beginning of the 2022/23 fiscal year (July 1, 2022), the cumulative reserve will be about \$4,983,698 and about \$4,892,688 at the end of the 2022/23 fiscal year (June 30, 2023). Graph 2 provides the forecast and actual account

balances for the GHAD from the initial levy of assessments in FY 2006/07 to the present, based on the approved 2005 Engineer’s Report. The GHAD reserve is intended to fund unanticipated expenses that may occur.



In general, expenses have been lower than estimated in the approved 2005 Engineer’s Report. We attribute the additional reserve accumulation to a number of factors including (1) The Leona Quarry GHAD has not accepted monitoring and maintenance responsibilities for all of the parcels or improvements within the Monte Vista Villas development, (2) nine of the past 11 years since the GHAD-accepted maintenance responsibilities for open space parcels have had below-average rainfall; therefore, there has been a reduced level of slope instability and erosion, (3) a large-scale repair (estimated at \$1,650,000 in current dollars every 10 years) has not yet been necessary within the GHAD-maintained areas.

MAJOR REPAIRS (MAJOR)

There are currently no ongoing major repair projects and none are anticipated for the 2022/23 fiscal year within the GHAD-maintained areas of the Leona Quarry GHAD. Minor slope repair and erosion control items are generally funded within the Preventive Maintenance and Operations category. While no major repairs are ongoing at this time, by their nature, major repairs such as landslides are unpredictable and could occur during the 2022/23 fiscal year. The reserve portion of the budget allows for funding toward these unpredictable events.

PREVENTIVE MAINTENANCE AND OPERATIONS (PREVM&O)

Professional Services

Scheduled Monitoring Events (SCMON)

As provided in the Plan of Control, there are two scheduled monitoring events within the GHAD during each calendar year. **Estimated budget \$18,000**

Heavy Rainfall Events (HRMON)

We have budgeted for one heavy-rainfall monitoring event during the 2022/23 winter season.

Estimated budget \$4,000

Maintenance and Operations

Concrete- and Asphalt-Lined Drainage Ditches (DITCH)

This budget item is to provide for the selected removal of vegetation and cleaning of concrete- and asphalt-lined drainage ditches within the GHAD-owned parcels, as needed. We expect to undertake one complete ditch-cleaning event in 2022/23 fiscal year. Approximately 22,500 lineal feet of concrete-lined ditch are located within the six GHAD-owned parcels.

Estimated budget \$10,500

Open Space Maintenance (OMAIN)

This budget item includes vegetation management on gravel-surfaced maintenance roadways, vegetation maintenance on debris benches, trail maintenance, litter collection and removal, annual fire-break mowing, and unanticipated trail maintenance or fence repairs, which may occur during the 2022/23 fiscal year.

Estimated budget \$45,000

Detention and Sedimentation Basin Maintenance (DETBA)

The budget allows for ongoing maintenance activities within the detention and sedimentation basins.

Estimated budget \$3,000

Erosion Control (ERCON)

Anticipated tasks under this budget item include the repair of slope or creek erosion and removal of debris from the creek channel. Cleaning and vegetation management of the detention basin, if necessary, will be a task within this budget item.

Estimated budget \$30,000

Slope Stabilization (SLOPE)

This is for minor repairs, including slope instability or erosion, which may occur during the 2022/23 fiscal year. Purchase of emergency stabilization supplies will be included within this budget item.

Estimated budget \$60,000

SPECIAL PROJECTS (SPEPROJ)

Web Site Maintenance and Updates (WEB)

To allow for greater access to information about the Leona Quarry GHAD, the GHAD has provided a budget item to update and maintain the existing website launched during the 2013/14 fiscal year.

Estimated budget \$1,000

ADMINISTRATION AND ACCOUNTING (ADMIN)

Administration (ADACC)

Administrative expenses include the General Manager duties related to the operation and administration of the GHAD. The budget estimate for the accounting and administrative services is derived from the original GHAD budget used to prepare the GHAD Engineer's Report.

Estimated budget \$48,000

Annual Report and Budget Preparation (BDGET)

This budget provides for the preparation of the annual report and budget. The budget estimate for the accounting and administrative services is derived from the original GHAD budget used to prepare the GHAD Engineer's Report.

Estimated budget \$4,000

GHAD Attorney (LEGAL)

This budget item allows the GHAD to seek review and comment from GHAD counsel for the District.

Estimated budget \$15,000

GHAD Treasurer (TREAS)

This budget item accounts for fees related to treasurer services, investment of the GHAD reserve funds, and processing of accounts payable.

Estimated budget \$22,500

GHAD Clerk (CLERK)

This budget item accounts for fees to provide clerical staffing and support services for the GHAD Board of Directors and to keep and provide interested parties with accurate records and documents relative to Board actions.

Estimated budget \$3,000

Association Membership (CGHAD)

The GHAD maintains membership in the California Association of GHADs.

Estimated budget \$210

Directors and Officers Insurance (INSUR)

The GHAD maintains directors and officers insurance for the Board of Directors.

Estimated budget \$950

General Liability Insurance (INSURGL)

The GHAD maintains general liability insurance for open space areas within the District.

Estimated budget \$1,350