

**HILLCREST HEIGHTS  
GEOLOGIC HAZARD ABATEMENT DISTRICT**

**TO:** Hillcrest Heights GHAD  
Board of Directors

**FROM:** GHAD Manager, Michael Sands of Sands Construction  
Company, LLC

**BOARD MEETING DATE:** June 16, 2020

**SUBJECT:** Hillcrest Heights GHAD Resolution No. 2020/01 (Annual  
budget) and Resolution No. 2020/02 (GHAD Treasurer)

**RECOMMENDATION(S):**

ADOPT Hillcrest Heights GHAD Resolution No. 2020/01 approving the GHAD budget for 2020/2021 fiscal year and updating GHAD General Manager payment limit under Consulting Services Agreement.

ADOPT Hillcrest Heights GHAD Resolution No. 2020/02 approving the change of GHAD Treasurer from Watermark Asset Management, Inc. to CLT Management, LLC (“CLT”) , in addition to a contract of services between CLT and Hillcrest Heights GHAD.

**FISCAL IMPACT:**

The GHAD is funded 100% through assessments levied on properties within the GHAD.

The current GHAD Treasurer, Watermark Asset Management, Inc., charged the GHAD an annual fee of 0.25%, or 25 basis points, per year on the account balance of the GHAD. For services to be performed by the new GHAD Treasurer, investment manager and custodian, an annual fee is proposed of 0.25% or 25 basis points per year on the account balance of the GHAD.

**BACKGROUND:**

On July 9, 1996, the Contra Costa County Board of Supervisors adopted Resolution 96/329 approving the formation of the GHAD and appointed itself to serve as the GHAD Board of Directors.

Annual Budget (Resolution 2020/01). The GHAD Board adopts a budget for the GHAD operations each fiscal year. The GHAD Board is being requested to adopt the fiscal year budget for 2020/2021 as prepared by the GHAD General Manager which is attached to Resolution No. 2020/01. In addition, the GHAD Board is being requested to update the GHAD General Manager payment limits under the existing Consulting Services Agreement as required by that Agreement. The budget attached to Resolution No. 2020/01 identifies that limit at \$52,000.

Appointment of GHAD Treasurer (Resolution 2020/02). The GHAD Board is also being asked to approve a change in the designation of the GHAD Treasurer from Watermark Asset Management, Inc. to CLT. On May 19, 2009, with Resolution 2009/01, the GHAD Board of Directors appointed Watermark Asset Management as GHAD Treasurer. On December 6, 2018, Watermark Asset Management was acquired by CAPTRUST. Thereafter Watermark reorganized to allow it to continue to provide treasurer services to the GHAD until the time a new GHAD Treasurer was appointed.

GHAD General Manager has researched and interviewed several potential candidates to serve as the GHAD Treasurer. GHAD Manager has determined that CLT is the most experienced and capable to perform treasurer functions for the GHAD. CLT's credentials and proposal for GHAD Treasurer services is attached as Exhibit 1 to this Staff Report. CLT will be responsible for retaining an investment manager(s) and custodian to assist in fulfilling GHAD Treasurer services.

A contract of services between CLT and GHAD is attached as Exhibit 2 to the staff report. Services include collecting, holding, investing, appropriating, and expending GHAD funds as necessary to carry out the operations of the GHAD in accordance with budgets approved by the GHAD Board.

If approved, the GHAD Treasurer will complete actions necessary to change treasurer functions from Watermark Asset Management to CLT.

#### **CONSEQUENCE OF NEGATIVE ACTION:**

The GHAD will not be able to continue operation starting July 1, 2020 if the budget is not approved.

If the Board does not approve the change in designation of the GHAD Treasurer from Watermark Asset Management, Inc. to CLT staff asks that the Board provide direction for identifying a treasurer as the GHAD is required by GHAD Law to have a treasurer.

Exhibit 1 – CLT Proposal for GHAD Treasurer Services

Exhibit 2 – Proposed Contract between CLT and GHAD for GHAD Treasurer Services

Proposal to Serve as Treasurer to  
Listed Geologic Hazard Abatement Districts (GHAD)

Blackhawk GHAD

Canyon Lakes GHAD

Hillcrest Heights GHAD

California Tradewinds GHAD

CLT Management, LLC (CLT) seeks to provide services in collaboration with the General Manager, Sands Construction Company, Inc. to the following GHADs: Blackhawk, Canyon Lakes, Hillcrest Heights, and California Tradewinds within the jurisdiction of Contra Costa County.

**Overview of Services**

CLT is qualified and proposes to act as Treasurer for each GHAD. CLT intends to utilize a shared office in Pleasanton, CA and to contract with Municipal Accounting Services, LLC for certain administrative services.

CLT will undertake the duties as set forth in the CA Public Resources Code (Division 17 Sections 26500-26554 ) regarding GHAD operations and required of the Treasurer and will also assist the General Manager to include:

- collection of fees,
- distribution of funds, and
- preparation of monthly financial statements for each GHAD.

CLT will contract with its affiliate, Laffer Tengler Investments, Inc., (LTI) an investment advisor registered with the SEC, to provide services for the investment of GHAD reserves. See proposed summary of investment strategy below.

CLT's team is well-versed in the California Public Resources Code (Division 17, Sections 26500-26554) that governs the GHADs and is prepared to abide by the code and direction of the Board.

Upon acceptance of CLT to perform the duties of the listed GHADs, we will provide a comprehensive Investment Strategy Policy for Board approval and codification.

## **CLT Professional Team**



### **Jon Curley**

*Chief Executive Officer, Chief Compliance Officer*

*Laffer Tengler Investments and CLT Management, LLC*

Mr. Curley's long and successful career in the insurance and banking industry has included extensive experience as an industry consultant, senior executive for one of the nation's top 50 life insurance companies, trust division leader for one of the U.S.'s top five banks, as well as insurance distribution leader and insurance producer. He currently is CEO of CLT Management, LLC and Laffer Tengler Investments.



### **Nancy Tengler**

*Chief Investment Officer, Portfolio Manager*

*Laffer Tengler Investments*

Ms. Tengler is the Chief Investment Officer for Laffer Tengler investments (LTI). As the senior member of our investment team, she manages three active equity strategies and is the head of the LTI Laffer Tengler Investments Investment Committee, she oversees all the strategies managed by the firm. Nancy is also a committed advocate of financial literacy. In addition to speaking to women around the country, she has also authored a book, "The Women's Guide to Successful Investing," and writes a twice monthly column in USA Today on general investing topics. Tengler is a regular contributor to CNBC, Bloomberg TV, CNN and Fox Business News.



### **Amber C. Haskett, Esq.**

*Owner, Municipal Accounting Services LLC*

Ms. Haskett is a California attorney practicing in the area of Trust Administration, Probate and Estate Planning. In her 23 years of practice, she has gained substantial experience in fiduciary accounting by preparing, evaluating and litigating accounts prepared by Trustees, Executors, Conservators and other fiduciaries. Prior to establishing her own firm, Haskett was a founding partner of Garcia & Haskett, LLP and an associate and managing attorney at The Castleman Law Firm. She also practiced in areas of litigation and estate planning as an associate at Heller, Ehrman, White & McAuliffe in San Francisco.

## **Investment Strategy**

CLT Management LLC will retain its affiliate, Laffer Tengler Investments, Inc.\* (LTI) for the investment of the GHAD reserves. LTI is an investment advisor registered with the SEC and will provide custom investment strategies to match budget and disbursement projections per the General Manager.

The GHAD reserves are currently invested as follows (based on Q2 FY 19/20 statement) 81% in international and U.S. fixed income ETFs and mutual funds (which carry an additional fee), 12% in U.S. equity ETFs, 4% in international equity ETFs and 3% in cash.

LTI is proposing a portfolio that more closely follows the approach we implement with insurance reserves. That is, seek higher current income, and lower levels of volatility while not sacrificing total return opportunities. We do not believe equities or international securities are appropriate for GHAD reserves and will seek to hold total costs down by not be using ETFs or mutual funds. Laffer Tengler will manage the portfolio utilizing individual securities we select according to our time proven strategies.

Our recommendation is to balance the portfolio utilizing a series of intermediate bonds (often called a bond ladder) together with an allocation to our proprietary convertible securities strategy. Our purpose is to ensure liquidity, enhance income and generate reasonable levels of capital appreciation while maintaining significantly lower levels of risk when compared to equities.

### **Custody**

Laffer Tengler Investments, Inc. would not hold custody of GHAD assets. Funds would be held in custody at Pershing Advisor Services, LLC, a division of BNY Mellon, NA. BNY Mellon and its affiliates are the largest provider of custody and administrative services in the world with over \$34 trillion in assets held in custody or administration.

### **Fee proposal**

CLT proposes a charge of 25 basis points (0.25%) on GHAD assets, charged quarterly in arrears based on the balance of GHAD reserves on the last day of the quarter.

\*Laffer Tengler Investments may refer to itself as a “registered investment adviser” or “RIA.” Registration with the SEC or a state securities authority does not imply a certain level of skill or training. More information about the qualifications and business practices of Laffer Tengler Investments can be obtained through the Investment Adviser Public Disclosure (IAPD) system by visiting their website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## EXHIBIT 2

### CONTRACT FOR PROFESSIONAL SERVICES

THIS CONTRACT FOR GHAD TREASURER SERVICES (this "Contract") is made and entered into this 16th day of June 2020, by and between the Hillcrest Heights Geologic Hazard Abatement District, a political subdivision of the State of California, ("GHAD"), and CLT Management, LLC ("GHAD Treasurer") (individually, a "Party" and collectively the "Parties"), for professional services more particularly described herein.

The GHAD and GHAD Treasurer, for mutual consideration as defined herein, agree to the following terms, services and conditions.

1. **Contract Documents.** This Contract is comprised of the following documents: (i) this Contract for GHAD Treasurer Services, (ii) Addendum A to Contract for GHAD Treasurer Services attached hereto and incorporated herein by reference ("**Addendum A**").
2. **Term.** This Contract between the parties is effective as of the date of execution and shall remain in effect until terminated in accordance with the provisions set forth in Section 10 of this Contract.
3. **Services.** GHAD Treasurer will, in accordance with the terms of this Contract, perform professional services, which are described in Addendum A (the "**Services**").
4. **Fees.** The GHAD agrees to pay the GHAD Treasurer on a monthly basis for the Services pursuant to this Contract in the amount described in the Addendum A. The GHAD Treasurer will submit invoices to the GHAD Manager on an as-needed basis but no more frequently than once a calendar quarter.
5. **Expenses.** GHAD Treasurer shall be reimbursed by the GHAD for the actual cost of those reimbursable expenses incurred by GHAD Treasurer listed in Addendum A, if any.
6. **Laws, Rules and Regulations.** GHAD Treasurer shall perform the Services in accordance with all applicable local, state and federal laws and regulations.
7. **Indemnity.** GHAD Treasurer shall indemnify, defend, save and hold harmless GHAD, its directors, officers and employees and other related parties for any acts or omissions arising out of the performance of this Contract from and against any and all claims, damages, losses, liabilities and expenses.
8. **Insurance.** GHAD Treasurer shall purchase and maintain with an insurer or insurers acceptable to GHAD, a commercial general liability policy with a minimum of \$1 Million in coverage.
9. **Confidentiality.** Each Party shall maintain confidentiality of all such confidential information exchanged in connection with the performance of this Contract, and without obtaining the written consent of the other Party, it shall not disclose any relevant confidential information to any third parties, except for the information that: (a) is or will be in the public domain (other than through the receiving Party's unauthorized disclosure); (b) is under the obligation to be disclosed pursuant to applicable laws or regulations. This Section shall survive the termination of this Agreement for any reason.
10. **Contract Modification or Termination.** GHAD and GHAD Treasurer agree that the terms and conditions of this Contract shall constitute the entire agreement between the parties hereto as to the subject matter of this Contract, and shall supersede all prior and contemporaneous negotiations and agreements on that subject matter. GHAD and GHAD Treasurer may modify the terms of this Contract only by executing a written amendment which shall reference this Agreement and shall be executed by the parties hereto. This Contract shall be terminated in writing by either Party upon 30 days' notice to the other.

11. **Contract Administration.** The Parties acknowledge that the GHAD Manager will administer this Agreement on behalf of the GHAD Board of Directors.
12. **Counterparts.** This Contract may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. For convenience, the parties may exchange scanned copies of the signature pages to this Contract, which copies shall be binding as originals.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed the day and year first above written.

**Hillcrest Heights Geologic Hazard Abatement District:**

**CLT Management, LLC**

By: \_\_\_\_\_  
Name: Candace Andersen  
Chair of the Hillcrest Heights Geologic Hazard Abatement  
District

By: \_\_\_\_\_  
Name: \_\_\_\_\_

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

Address of GHAD Manager:

Address of CLT:

Sands Construction Company, LLC  
Attn: Michael Sands  
4125 Blackhawk Plaza Circle, Suite 175  
Danville, CA 94506  
925-964-0823

Email: michael.sands@hillcrestheightsghad.com

## **Addendum A**

The GHAD Treasurer shall provide the following professional services:

The GHAD Treasurer is responsible for the general oversight of the GHAD's fiscal resources working in close collaboration and cooperation with the GHAD Manager. The role of the GHAD Treasurer includes providing accurate cash projections of the GHAD's revenues, the expeditious accounting of tax revenue collected by Contra Costa County, the control of disbursements and the cost-effective management of custodial relations.

The GHAD Treasurer has the authority to select a firm(s) or individual(s) to manage the GHAD investment accounts consistent with the provisions of the GHAD-adopted Statement of Investment Policy. Fees and costs associated with the GHAD investment management services are payable by the GHAD.

The GHAD Treasurer coordinates closely with the GHAD Manager on budget, cash flow and disbursements. The GHAD Treasurer has further authority to engage the services of one or more third party custodians ("Custodian") to provide safekeeping and custody of assets, and issuance of requested and approved disbursements of GHAD funds.

The GHAD Treasurer has the authority to disburse funds from GHAD accounts held by the Custodian with the written or electronic consent of the GHAD Manager. The GHAD Manager is responsible for authorizing disbursements (i.e., invoices) consistent with the GHAD budget approved by the GHAD Board of Directors. The GHAD Treasurer is responsible for reviewing, approving and authorizing disbursements submitted by the GHAD Manager. Such disbursements are, in turn, issued by a Custodian upon authorization by the GHAD Treasurer.

The GHAD Treasurer shall annually review the Statement of Investment Policy in conjunction with the GHAD Manager. The GHAD Treasurer and GHAD Manager have the authority to determine whether modifications to the Policy are necessary and, if so, to report such recommended modifications to the GHAD Board of Directors.

The GHAD Treasurer is responsible for providing the following reports:

### **A. Monthly**

The GHAD Treasurer will coordinate with the Custodian(s) to provide a monthly institutional brokerage statement, and bank statements, with an investment and transaction summary to the GHAD Manager.

### **B. Quarterly**

The GHAD Treasurer shall submit quarterly financial reports to the GHAD Manager and the GHAD Board.

The quarterly report shall highlight key aspects of information contained in the investment reports; a summary of investment activity for the GHAD, total account balance, balance by



position, quarterly performance summary of the investment portfolio and review of cash flow required to meet expenditures for the next six months.

### **C. Other**

The GHAD Treasurer shall present to the GHAD Manager an annual report on the investment program and investment activity no later than 180 days following the end of the fiscal year. The annual report may include a performance summary, and following consultation with the investment manager, suggest policies and improvements that might enhance the investment program, and include an investment plan for the ensuing fiscal year. The GHAD Treasurer will provide additional data deemed necessary by the GHAD Manager to facilitate any additional accounting or reporting requirement.

The GHAD Treasurer shall maintain a list of financial institutions authorized to provide custodial services. Assets are held directly with the Custodian which provides independent verification of assets through monthly institutional account statements. The GHAD Treasurer is responsible for the coordination, review, and monitoring of GHAD cash disbursements. Through a dual control verification process, the GHAD Treasurer must verify disbursement requests from the GHAD Manager. GHAD Manager shall only submit check requests for vendors previously approved by the GHAD Manager and the GHAD Treasurer shall only cause to be processed checks from previously approved vendors. The GHAD Treasurer coordinates and verifies disbursements from the Custodian to the approved vendors.

The GHAD Treasurer shall attend up to 4 (four) GHAD Board meetings per year. Additional meeting attendance, if necessary, can be billed on a time and materials basis.

Fees: GHAD Treasurer shall be paid an annual fee of 0.25% of assets billed on a quarterly basis.

Reimbursable Expenses: GHAD Treasurer shall be reimbursed for expenses including mileage at the then standard mileage rate published by the Internal Revenue Service.

**THE BOARD OF DIRECTORS OF HILLCREST HEIGHTS  
GEOLOGIC HAZARD ABATEMENT DISTRICT**

Adopted this Resolution on June 16, 2020, by the following vote:

**AYES:**

**NOES:**

**ABSENT:**

**ABSTAIN:**

**RESOLUTION NO. 2020/01 (HILLCREST HEIGHTS GHAD)**

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**SUBJECT:** Adopting 2020/2021 annual budget and updating GHAD General Manager payment limits under the existing consulting services agreement.

**WHEREAS**, on July 9, 1996, the Contra Costa County Board of Supervisors adopted Resolution 96/329 approving the formation of the Hillcrest Heights Geologic Hazard Abatement District (GHAD) and appointed itself to serve as the GHAD Board of Directors.

**WHEREAS**, the GHAD Board of Directors desires to adopt the budget for the fiscal year 2020/2021 prepared by the GHAD General Manager, Sands Construction Company, Inc., attached hereto as Exhibit A.

**WHEREAS**, on October 7, 2014, pursuant to Resolution No. 2014/02, the GHAD Board approved the consultant services agreement with Sands Construction Company, Inc. to act as General Manager for the GHAD. This agreement, in section 3, requires the GHAD Board to determine by resolution each fiscal year the payment limits for GHAD General Manager services. The budget attached in Exhibit A identifies this limit at \$52,000.

**The Board of Directors of the GHAD HEREBY RESOLVES THAT:**

1. The GHAD Board approves the GHAD budget for the 2020/2021 fiscal year of \$180,800 attached as Exhibit A and incorporated herein by this reference.
2. The GHAD Board adopts the payment limit for the GHAD General Manager services at \$52,000 for fiscal year 2020/2021 as set forth in Exhibit A and incorporates this payment limit into the consulting services agreement.

3. The recitals are incorporated herein by this reference.

This Resolution shall become effective immediately upon its passage and adoption.

**Approved as to form:**

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Patricia Curtin  
GHAD Attorney

Exhibit A – 2020/2021 Annual Budget



**HILLCREST HEIGHTS**  
GEOLOGIC HAZARD ABATEMENT DISTRICT

**Program Budget**  
FISCAL YEAR 2020-2021

**APRIL 2020**





# HILLCREST HEIGHTS

GEOLOGIC HAZARD ABATEMENT DISTRICT

May 7, 2020

Hillcrest Heights GHAD Board of Directors  
c/o Supervisor John M. Gioia  
11780 San Pablo Avenue, Suite D  
El Cerrito, California 94530

**SUBJECT: Program Budget for Fiscal Year 2020-2021  
Hillcrest Heights Geologic Hazard Abatement District**

Dear Board Members:

Attached please find the proposed program budget for the Hillcrest Heights Geologic Hazard Abatement District (Hillcrest Heights GHAD, GHAD or District) for fiscal year 2020/2021. The proposed fiscal year budget totals \$180,800, which falls within projected revenues and anticipates a \$32,072 contribution to the reserve fund. At the time of this publication, it is expected that the fund balance on June 30, 2020 will be approximately \$1,330,047. A fund balance of \$1,362,119 is projected for June 30, 2021.

There are four major budget categories, their respective budget expenses break down as follows:

Major Projects	17 percent
Preventive Maintenance and Operations	27 percent
Special Projects	20 percent
Administration, Legal, Accounting	36 percent

## BACKGROUND:

On July 23, 1996, the Contra Costa Board of Supervisors adopted Resolution 96/239 approving the formation of the Hillcrest Heights Geologic Hazard Abatement District (Hillcrest Heights GHAD), located in the hills of El Sobrante, within the jurisdiction of Contra Costa County. The Hillcrest Heights GHAD was formed pursuant to State Public Resources Code § 26500 et seq. The Board of Supervisors at that time appointed itself as the Board of Directors of the Hillcrest Heights GHAD.

Resolution 97/178 adopted on April 1, 1997 by the Board of Supervisors, acting as the Hillcrest Heights Board, confirmed the assessments for the district and ordered the collection of the amounts called for in the Assessment Report. The initial fiscal year for the Hillcrest Heights GHAD was established as 1997-1998.

A 15-lot subdivision also completed in El Sobrante known as Spanish Trails was annexed in 2008 to the Hillcrest Heights GHAD and on February 25, 2009 the Notice of Assessment was recorded. Assessments were levied on the 15-lots beginning fiscal year 2009/2010. Maintenance transfer to the Hillcrest Heights GHAD for the activities pursuant to the approved Plan of Control occurred on February 5, 2010.

A 32-lot subdivision also located in El Sobrante known as Edgemont (Colina Canyon) was also annexed to the Hillcrest Heights GHAD on May 11, 2010 with the Final Map and Notice of Assessment recorded on July 29, 2010. Construction commenced on a number of model homes and activities halted and the subdivision remains in this condition at this time, although the district is receiving revenue from lot

assessments. Maintenance transfer to the Hillcrest Heights GHAD has not taken place and therefore the district is not currently providing services.

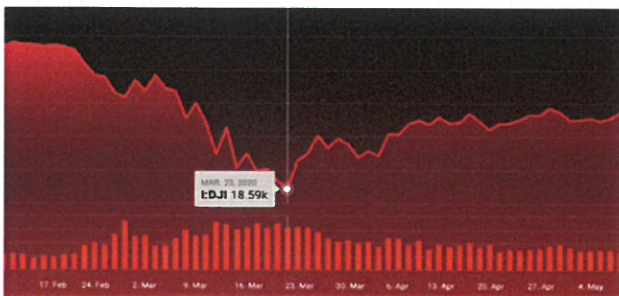
As a percentage of the budget, the Major Projects Program will utilize a portion this year within the customary norms. In an effort to address localized groundwater conditions within the Spanish Trails subdivision, an array of horizontal drains have been installed. Fiscal year 2019-2020 will focus primarily on continuation of additional Major Projects consisting of two primary studies designed to further assess instrumentation effectiveness in providing markers that may indicate the potential for land movement, and studies focused on localized and regional slope stability analyses and groundwater conditions.

The Preventive Maintenance Program will focus on efforts to complete asset site restorations. The program will pursue analysis and upgrades to all instrument and asset sites and the associated data collection to ensure all predictive features of these instrumentation sites are fully realized. Specifically, we will target the following program elements - Concrete Interceptor Ditch Systems (Repair and Replace Program); the Horizontal Drains (Site Maintenance Program); the Piezometers (Site Maintenance Program); and the Soil Debris Bench/Impact Walls (Maintenance Program). The Operations Program will continue its existing monitoring profile through this period, and we are currently beginning a study of accrued empirical data from its many monitoring assets in an effort to further expose any notable trending that might occur over significant periods of time, thereby reducing risk exposure. Currently, The National Oceanic and Atmospheric Administration (NOAA) predicts El Niño neutral conditions in the Southern Oscillation; however, early probability forecasts have often changed throughout the summer months.

The Special Projects Program will be directed, in part, to analyzing the Plan of Control and other essential documents that establish and direct the Hillcrest Heights GHAD. Preliminary review will be initiated to assess the need to conduct a formal Reserve Study that would serve to test, identify weaknesses, and expose any necessary adjustments to the criteria or methodologies utilized in the program and anticipate revenue and reserve demands. Additional studies may include assessing the feasibility of integrating a Geographic Information System (GIS) into the Hillcrest Heights program.

This budget anticipates continued strengthening and building efficiencies within the Administration Program. General legal counsel will continue to be provided by the Hillcrest Heights GHAD Board appointed attorney, Patricia Curtin of Wendel, Rosen, LLP.

On March 16, 2020, the Contra Costa County Health Department issued an Order to “Shelter in Place” for all non-essential entities, to help mitigate the spread of the virus COVID-19. The Hillcrest Heights GHAD, although likely considered an essential agency, complied on that day to direct all staff to adhere to the Order.



Fortunately, the Hillcrest Heights GHAD had operated with the pre-existing capacity to work remotely prior to the pandemic and subsequent Orders. Although this has presented a new challenge for GHAD operations, it has not materially inhibited our ability to



respond to geologic hazards and to direct and implement much of our operations from remote locations. Subsequent to the March 16, 2020 Orders, and under the County guidelines, we have continued essential operational and administrative tasks. Needed maintenance and data collection events from instrument sites have continued as county orders have allowed, as well as ongoing processing and assessment of slope stability conditions within the district. Specific slope stability studies have continued uninterrupted.

As managers, we continually monitor and project significant short-term and long-term financial impacts on GHAD reserves and compare such impacts with our ongoing 40-year reserve study. This recent and unexpected impact on the annual budget and reserves, as a result of the COVID-19 virus, has been challenging and has represented a reduction in GHAD accumulated reserves<sup>1</sup>. Although the impact has been remarkable, we believe there has been no significant negative short-term or long-term effect on the future ability to provide the full array of services of the GHAD throughout this pandemic<sup>2</sup>.

Our ability to maintain reserves will provide assurance of our capability to continue services in the future. We will continue to monitor the process and advise you of changed conditions throughout the remainder of this pandemic.

A summary of the expenses is shown on Table 1, pages 4 and 5, followed by brief descriptions of each of the budget items on pages 6 through 12.

Respectfully yours,

**Hillcrest Heights Geologic Hazard Abatement District**

A handwritten signature in blue ink, appearing to read "Michael D. Sands".

Michael D. Sands  
Sands Construction Company, Inc.  
General Manager

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<sup>1</sup> As seen in the illustration above representing DJI activity through the pandemic (Feb 2020-May 2020)

<sup>2</sup> Observations of the General Manager as of May 7, 2020



**Distribution list:**

**Hillcrest Heights GHAD Board of Directors:**

Supervisor John M. Gioia  
11780 San Pablo Avenue, Suite D  
El Cerrito, CA 94530

Supervisor Candace Andersen (Board Chair)  
309 Diablo Road  
Danville, CA 94526

Supervisor Diane Burgis  
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Supervisor Karen Mitchoff  
2151 Salvio Street, Suite R  
Concord, CA 94520

Supervisor Federal D. Glover  
190 E. 4<sup>th</sup> Street  
Pittsburg, CA 94565

**GHAD Attorney:**

Patricia Curtin, Esq. (Hillcrest Heights GHAD Attorney)  
Wendel Rosen, LLP  
1111 Broadway, 24<sup>th</sup> Floor  
Oakland, CA 94607

## Hillcrest Heights Geologic Hazard Abatement District Program Budget Fiscal Year 2020/2021

The following proposed line item program budget (Table 1) summarizes the anticipated expenditures for fiscal year 2020/2021 for the Hillcrest Heights Geologic Hazard Abatement District (Hillcrest Heights GHAD, GHAD, or District). Through an ongoing assessment, the manager evaluates and addresses geologic risk through the implementation of an annual program budget consisting of four major categories. Preceding Table 1, and directly below, is a general overview description of the four major program elements within the budget.

### ***Major Projects Program***

The annual Major Projects Program includes; landslide repair projects, drainage improvement projects, and capital improvement projects necessary to either control, mitigate, or prevent landslide activity. Other large program responses necessary to implement the Plan of Control, including specific purpose studies and investigations, may also be included in the Major Projects Program.

Generally, for consideration of inclusion into the Major Projects Program, a project or study would represent a level of complexity requiring plans, specifications, and comprehensive engineering analysis including modeling and research, or a project with a protracted scope such as those requiring multiple regulatory agency approvals. Most Major Projects have a projected cost that exceeds \$25,000.

Historically, the Major Projects Program has been comprised of significant landslide repair projects and other responsive large projects; at other times, it has included programmatic studies and investigations useful in generating proactive responses. This diversity of projects demonstrates the importance of a flexible Major Projects Program structure that adapts between responsive and proactive needs and capabilities to manage the dynamic nature of larger scale geologic events.

### ***Preventive Maintenance and Operations Program***

The annual Preventive Maintenance and Operations Program includes all minor repairs, cleanup, maintenance, monitoring and replacement of drainage structures and other assets that degrade over a serviceable life. The goal of preventive maintenance is to keep assets in operational condition and identify potential slope stability risks before they manifest, allowing measures to be taken to either prevent, or mitigate the impact of these hazards as defined in the Hillcrest Heights GHAD Plan of Control.

Typical Hillcrest Heights GHAD assets include concrete lined ditches, subdrainage systems, groundwater measuring instrumentation, slope inclinometers and moisture gauges, and slope debris catchment features.

The Preventive Maintenance Program also includes preparations for emergency response, winterization measures including erosion protection and slope stabilization supplies, and instrument maintenance.

The Operations Program is primarily populated with scheduled instrument monitoring events. Data from these instruments are evaluated to establish risk and trends in an effort to avert landslide activity. In addition to the instrumentation monitoring program, the Operations Program contains the Incident Response and Community Relations Program, which incorporates comprehensive first response capabilities, and fosters community incident interaction.

### ***Special Projects***

The Hillcrest Heights GHAD pursues ongoing and new activities identified as “Special Projects”. Special Projects include activities requested by the Board such as the Communications Program, and projects and studies designed to improve the District’s operational effectiveness and insure financial solvency. Special Projects also include utilizing new technologies to increase the efficiencies of the day-to-day operations.

### ***Administration***

Administrative expenses are required to operate the Hillcrest Heights GHAD and implement projects. Administrative expenses include personnel and consultants to manage the operations including: the General Manager, Administrative Manager, Construction Services Manager, certain clerical and accounting staff, consultants, and legal support.

With respect to the General Management of the Hillcrest Heights GHAD - The Hillcrest Heights GHAD Board of Directors through Resolution 2019/01, among other business, established a Consulting Services Agreement with Sands Construction Company, Inc. to act as General Manager. The payment limit established for a term through June 30, 2020 was \$50,000; the proposed payment limit through June 30, 2021 is \$52,000. The scope of services for the General Manager include; managing the day-to-day operations through implementation of the necessary financial recordkeeping and reporting; updating and maintaining governing documents, such as the Plan of Control; and managing and updating administrative tools such as the Reserve Study, Communications Plan, Work Program and Monthly Incident Log. The General Manager Consulting Services Agreement provides for certain administrative positions including, but not limited to, a General Manager, an Administrative Manager, a Construction Services Manager and a Network Administrator as well as overhead costs, such as office space rent, office supplies and postage.

With respect to the Operations of the Hillcrest Heights GHAD, the scope of services for Operations include; implementing the Major Projects and Preventive Maintenance Programs through forecasting work schedules and priorities, preparing Requests for Proposals, and managing maintenance and repair operations within the Major Projects and Preventive Maintenance Programs. These services include project management and construction management; and preparing for and responding to emergency incidents.

The General Manager will retain the necessary professionals, including without limitation: engineers, accounting professionals, and vendors to facilitate the operations of the Hillcrest Heights GHAD. The General Manager Consulting Services Agreement and associated budget allows for the conditional use of subcontractors such as administrative sub-consultants and engineering or construction sub-consultants within the payment limits of the Consulting Services Agreement.

A summary of the proposed Fiscal Year 2020/2021 Budget is presented in Table 1 on the following pages.

**Table 1 – Summary of Fiscal Year 2020/2021 Budget**

Budget Item	Budget Amount	% of Total Budget
<b>Major Repairs</b>		
Study – Instrument Restoration/Replacement	10,000	
Study – Slope Stability Analyses	15,000	
Unanticipated Sites	5,000	
<b>Total Major Projects</b>	<b>\$30,000</b>	<b>17%</b>
<b>Preventive Maintenance/Operations</b>		
<b>Preventive Maintenance</b>		
Drainage		
Storm Drain Facilities		
B-58 Concrete Lined Ditches		
Maintenance/Clean/Map	4,700	
Repair and Replace	2,000	
Retention Basins	2,000	
Subdrain Systems	3,000	
Horizontal Drains	3,000	
Subdrain Outlets	2,000	
Piezometers	2,000	
Settlement Monitors	500	
Minor Repairs	3,000	
Winterization	2,000	
Emergency Response	3,000	
Debris Benches/Impact Walls	1,000	
<b>Subtotal</b>	<b>\$28,200</b>	
<b>Operations</b>		
Piezometer Monitoring	5,000	
Horizontal Drain Monitoring	5,000	
Subdrain Monitoring	3,500	
Settlement Monitoring	1,000	
Incident Response/Community Relations	6,000	
<b>Subtotal</b>	<b>\$20,500</b>	
<b>Total Preventive Maintenance/Operations</b>	<b>\$48,700</b>	<b>27%</b>

Budget Item	Budget Amount	% of Total Budget
<b>Special Projects</b>		
Plan of Control	25,000	
Reserve Study Update	1,000	
Special Studies	3,000	
Information Technology	3,000	
Accounting Systems Upgrade	1,000	
Tax Assessment Calculation	1,500	
Communications Program	1,000	
CA Association of GHADs – Membership/Insurance	1,400	
<b>Total Special Projects</b>	<b>\$36,900</b>	<b>20%</b>

<b>Administration</b>		
Legal fees		
General Counsel	3,000	
Special Counsel		
Litigation/Legal Concerns		
Staffing/Administrative Support	35,000	
Accounting/Bookkeeping	22,000	
Training/Education	500	
Office – Rent/Supplies/Equipment/Lease	4,700	
<b>Total Administration</b>	<b>\$65,200</b>	<b>36%</b>

<b>TOTAL PROPOSED BUDGET FY2020/2021</b>	<b>\$180,800</b>	<b>100%</b>
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<b>Available Funds</b>	
Estimated Beginning Fund Balance – July 1, 2020*	1,330,047
Estimated Property Owner Assessments	
Hillcrest Heights - \$ 1,595.88 annually per unit x 65 units**	103,732
Spanish Trails - \$ 2,647.51 annually per unit x 15 units**	39,713
Colina Canyon - \$ 1,450.85 annually per unit x 32 units**	46,427
Estimated Interest on Investments	23,000
Other Income	0
<b>Total Available Funds</b>	<b>1,542,919</b>
<b>Uses of Funds</b>	
Major Projects	30,000
Preventive Maintenance	48,700
Special Projects	36,900
Administrative	65,200
<b>Total Use of Funds</b>	<b>\$180,800</b>
<b>Estimated Reserve Available/Ending Fund Balance June 30, 2021</b>	<b>\$1,362,119</b>

\* Projected Fund Balance date of publication, includes estimated true-up revenue payment (June 2020) \$9,476.43

\*\* Estimated – Resource CPI, San Francisco Metropolitan Area – April 2019

## DESCRIPTION OF BUDGET ITEMS

### Major Projects

#### Study – Instrument Restoration and Replacement

Typically, instrument replacement and maintenance falls within the Preventive Maintenance program; however, this proposed study evaluates the current program protocol and further identifies potential sites for remedial installations or provisions. Preliminary studies have identified several sites for restoration work or new replacement installations.

**Estimated Cost \$10,000**

#### Study – Slope Stability Analyses

Slope weathering and changes in groundwater levels over time can contribute to slope for additional study. instability. It is important for Hillcrest Heights GHAD management to make dynamic assessments to ensure design thresholds are met in slope stability. This study will address several potential sites and analyze conditions. Previous studies have identified potential sites

**Estimated Cost \$15,000**

#### Unanticipated Sites

During heavy rain years, unexpected repairs are necessary to avert or control landslides that may threaten property within the District. It is vital for the manager to retain the availability of funds within the Major Repair Program to address such an event.

It is also common to experience a change in the planned construction schedule to include additional sites. Known sites can rise in priority throughout the year and additional sites may emerge.

**Estimated Cost \$5,000**

### Preventive Maintenance and Operations

#### Preventive Maintenance

Preventive maintenance generally consists of those measures taken to prevent an incident or landslide event including; asset maintenance, drainage structures, instrument sites and winterization measures. Operations include ongoing monitoring programs and responses to community requests. Details of the proposed budget for each of these categories are listed below.

#### B-58 Drain Systems

*Maintenance* – Allows for one major annual cleaning and mapping. In addition, District staff periodically walks the B-58 systems to get a first-hand account of the current

conditions and project serviceable life. This information, along with other empirical data, is typically utilized in Reserve Study updates. With the extreme weather conditions last year and the related soil and vegetation load impacting the network of B-58 systems, we have anticipated and allowed for a greater effort to maintain proper drainage for these facilities over the fiscal year.

**Estimated Cost \$4,700**

***Repair and Replacement*** – A detailed assessment will be performed to establish the existing condition of the B-58 Concrete ditches throughout the district. This assessment will serve to establish a baseline for needed repairs and/or assessments as to the remaining serviceable life of these assets to be utilized in reserve study criteria.

**Estimated Cost \$2,000**

### **Retention Basins**

There is one retention basin within the district boundaries. This retention basin requires annual improvements and de-silting efforts. With the extreme weather conditions and the related soil and vegetation load impact, improvements were made to this facility during FY17/18 and FY18/19. We anticipate and allowed for a typical effort to maintain proper drainage for these facilities over this fiscal year.

**Estimated Cost \$2,000**

### **Subdrain Systems**

Subdrain systems must be monitored and maintenance provided to ensure the systems have not been damaged or impeded. This budget will allow for an inspection and minor maintenance of these sites.

**Estimated Cost \$3,000**

### **Horizontal Drains**

The District must provide ongoing maintenance to ensure horizontal drains remain functional. This budget will allow for the maintenance of new installations from FY16/17.

**Estimated Cost \$3,000**

### **Sub-drain Outlets**

The Hillcrest Heights GHAD is currently conducting efforts to identify, locate and make determinations about the effectiveness of the network of subdrains throughout the District. It is anticipated that on-site restoration work may be necessary at some sites. This additional work has been incorporated into this budget item.

**Estimated Cost \$2,000**



### **Piezometers**

The District reads and maintains piezometers which measure ground water elevations. A budget has been established to provide for work to begin to restore the sites and install identification markers.

**Estimated Cost \$2,000**

### **Settlement Monitors**

Over time, a number of settlement monitors have been placed throughout the development. These monitors were, in large part, installed as part of one specific study or another and therefore are not continually monitored. Currently ongoing monitoring programs exist in several areas of the District.

**Estimated Cost \$500**

### **Minor Repairs**

A budget is established annually for minor projects establishing a provision for unanticipated minor projects within the Preventive Maintenance Program.

**Estimated Cost \$3,000**

### **Winterization**

The District provides an annual budget for procuring and storing an inventory of winterization materials and to provide for the costs of site installation.

**Estimated Cost \$2,000**

### **Emergency Response**

During the winter rainy season, the Hillcrest Heights GHAD prepares for and may respond to a range of urgent, active or threatening landslides as well as drainage issues where property damage is threatened. These incidents typically involve mud or debris flows, plugged storm drains at the base of slopes or flooded properties due to the overflow of runoff from plugged or damaged facilities. In severe cases these responses can require the initiation of temporary slope stabilization measures in preparation for a major repair.

**Estimated Cost \$3,000**

### **Debris Benches/Impact Walls**

Earthen debris benches and debris impact walls exist throughout the district. It is essential that these facilities are inspected to ensure capacities and drainage have not been compromised. Annual inspections are made, and periodic debris removal plans are initiated. This year's budget allows for geotechnical evaluations and the periodic removal of accumulated debris from several of those benches identified during the study and routine monitoring events.

**Estimated Cost \$1,000**

## **Operations**

An inventory of on-site instrumentation including piezometers, inclinometers, horizontal drains, sub-drains, and settlement monuments are monitored periodically throughout the year as a preventative measure.

Monitoring sites can be established for a variety of uses. Often completed repair sites require monitoring to confirm that the slope has been stabilized. Other sites have been utilized to indicate signs of unstable conditions developing and have been instrumental in determining slope conditions prior to the activation of a landslide.

Through the use of collected data such as groundwater depth, magnitude of slope movement, depth of movement and ground surface movement, the District has been able to arrest slope movement in advance of an incipient failure.

Throughout the year, the District receives incident response or assistance calls from property owners regarding slope stability or drainage issues. Community relations, including incident responses through the annual Operations Program has been institutionalized as a role of Hillcrest Heights GHAD management. All incidents are recorded and move through the district response mechanisms as is appropriate and consistent with the Hillcrest Heights GHAD Plan of Control.

The Hillcrest Heights GHAD Manager receives updates in long range weather and oceanic temperature changes through the National Oceanic and Atmospheric Administration (NOAA) and other scientific and atmospheric agencies that track data and produce probabilistic assessments on the likelihood of a recurrence of El Niño conditions.

**Estimated Cost \$20,500**

## **Special Projects**

During fiscal year 2019/2020 the District will continue several special projects. Brief descriptions of the special projects are presented in Table 1 and further described below:

### **Plan of Control**

It is anticipated that an evaluation and assessment of the current Plans of Control for the Hillcrest Heights GHAD, including Spanish Trails, will be pursued, in an effort to confirm operational compliance. Once an initial evaluation is completed, consideration will be given to amend the current plan to incorporate historical practices of the GHAD and acknowledge technological and other procedural advancements.

**Estimated Cost \$25,000**

### **Reserve Study Assessment**

A reserve study functions as a pro-forma analysis of the financial needs of the Hillcrest Heights GHAD. The study serves as a tool to calculate the annual contribution required by the district

to build and maintain sufficient funds for emergencies and capital replacement programs based on past weather patterns, landslide repair costs, and general attrition. As a result of severe winters, draws will likely be necessary in the future on the reserve fund. Work is planned to evaluate and complete an analysis of the fund health and methodologies. This analysis will be used in establishing a pro-forma plan and provide instruction to Hillcrest Heights GHAD management as to the necessary reserve demands over time.

**Estimated Cost \$1,000**

### **Special Studies**

The Hillcrest Heights GHAD intends to continue targeted studies in the areas of fiscal policy and geologic risk. The Hillcrest Heights GHAD, now in its 24<sup>th</sup> year, has the unique opportunity to address many of the issues surrounding long-term viability and sustainability, within changing environment and financial conditions. Using empirical data, we can assess potentially increasing financial loads and geologic risks that may accompany the maturation process of this district. We are confident that these studies have produced and will continue to produce beneficial results.

**Estimated Cost \$3,000**

### **Information Systems and Technology**

The Hillcrest Heights GHAD will consider integrating a GIS system to include all of the GHAD's data collection and monitoring operations. The record and tool that this system offers facilitates the General Manager's ability to locate past repairs and assist in a variety of risk assessments within the District.

**Estimated Cost \$3,000**

### **Accounting System Upgrade**

Periodic upgrades are necessary to enhance accounting system capabilities. The Hillcrest Heights GHAD utilizes expense accounting software to assist in reporting and the day-to-day operation of the District. Continued accounting systems enhancements will be implemented allowing more data entry streamlining, enhanced reporting, and quality control assurance procedures, augmenting the current systems.

**Estimated Cost \$1,000**

### **Tax Assessment Calculation**

Each year an assessment calculation is conducted to identify and determine all qualified parcels within the district to receive assessments for Hillcrest Height GHAD services. Typically, the GHAD Manager will contract these assessments to a firm that specializes in these services. Historically, the Hillcrest Heights GHAD has provided this information through its contracted consultant to the County Assessor's Office as required.

**Estimated Cost \$1,500**

## **Communications Plan**

The Hillcrest Heights GHAD maintains a communications plan designed to keep constituents up to date on Hillcrest Heights GHAD operations and developments. The plan addresses several venues and mediums used to disseminate information within this district and to other concerned parties, and to establish clear and accessible channels for community interaction. The Hillcrest Heights GHAD intends to implement a web page for public information, and a multi-page informational brochure to be available to interested Homeowner Associations (HOA) and stakeholders that describes the Hillcrest Heights GHAD and its responsibilities and limitations. Additionally, the General Manager is available to write periodic articles for the HOA newsletter.

**Estimated Cost \$1,000**

## **Outreach/Legislative Review**

### **California Association of GHADs (CAGHADs) Membership/Insurance**

The proliferation of new GHADs within California has resulted in new legislation and adopted procedures. The Hillcrest Heights GHAD Manager, in association with others, shares information and knowledge through a consortium of GHAD managers known as the California Association of GHADs (CAGHADs). The CAGHAD has recently obtained General Liability policies for its member GHADs. Policy premium costs for the Hillcrest Heights GHAD are approximately \$710.<sup>3</sup> Additionally, the Hillcrest Heights GHAD manager participates in the CAGHADs as the organization pursues other financial instruments that may provide the Hillcrest Heights GHAD additional options for extraordinary financial demand and planning. In 2016 the CAGHAD Board adopted a new fee schedule reducing the annual GHAD fees for membership by 50%.

**Estimated Cost \$1,400**

## **Administration**

The administration of the Hillcrest Heights GHAD includes all costs associated with legal support, office expenses, staffing, and accounting. Brief descriptions are presented below.

### **Legal**

**General Counsel** – Hillcrest Heights GHAD management must interact regularly with Hillcrest Heights GHAD Counsel. The day-to-day operations of the Hillcrest Heights GHAD present myriad opportunities and issues to work directly with GHAD counsel, in the areas of contracts, agreements, issues or new business to present to the Board, legislation, property owner issues, etc.

**Estimated Cost \$3,000**

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<sup>3</sup> A more comprehensive policy was obtained with a premium increase

**Special Counsel** – Typically Special Counsel consists of legal representation in the event of legal issues that might arise. Currently there are no legal issues involving litigation.

**Estimated Cost     \$0**

**Staffing/Administrative Support**

The Hillcrest Heights GHAD staff includes the General Manager, an Operations Manager, an Administration Manager and frequently other support staff and consulting professionals. The General Manager administers all Hillcrest Heights GHAD day-to-day operations, including financial budgeting and communications regarding its activities. The Operations Manager, among other tasks, administers the Major Projects and Preventive Maintenance Programs and associated work schedules, consulting and construction contracts, and documents. The administrative staff is responsible for accounting/bookkeeping, contract administration, clerical, and construction management support. Additional management staff costs are also applied to specific projects as appropriate. Authorized business expenses such as rent, office supplies and leases are included in Staffing.

**Estimated Cost \$62,200**

**THE BOARD OF DIRECTORS OF HILLCREST HEIGHTS GEOLOGIC  
HAZARD ABATEMENT DISTRICT**

Adopted this Resolution on June 16, 2020 by the following vote:

**AYES:**

**NOES:**

**ABSENT:**

**ABSTAIN:**

**RESOLUTION NO. 2020/02 (HILLCREST HEIGHTS GHAD)**

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**SUBJECT:** Approve change in the GHAD Treasurer designation from Watermark Asset Management, Inc. to CLT Management, LLC (“CLT”) in addition to a contract of services between CLT and Hillcrest Heights GHAD.

**WHEREAS,** on April 22, 1986, the Contra Costa County Board of Supervisors adopted Resolution 86/210 approving the formation of the Hillcrest Heights Geologic Hazard Abatement District (GHAD) and appointed itself to serve as the GHAD Board of Directors.

**WHEREAS,** on May 19, 2009 the GHAD Board appointed Watermark Asset Management, Inc. as the GHAD Treasurer pursuant to Resolution No. 2009/01.

**WHEREAS,** on December 6, 2018, Watermark Asset Management was acquired by CAPTRUST and thereafter Watermark Asset Management reorganized to allow it to continue to provide treasurer services to the Hillcrest Heights GHAD until the time a new treasurer was appointed.

**WHEREAS,** GHAD General Manager has researched and interviewed several potential candidates to serve as the GHAD Treasurer. GHAD Manager has determined that CLT is the most experienced and capable to perform treasurer functions for the GHAD.

**WHEREAS,** GHAD General Manager recommends the GHAD Board appoint CLT to serve as the GHAD Treasurer.

**The Board of Directors of the GHAD HEREBY RESOLVES THAT:**

1. Watermark Asset Management, Inc. shall no longer serve as GHAD Treasurer.
2. CLT is appointed as the new GHAD Treasurer.

3. The GHAD General Manager shall finalize and cause to be executed the contract for GHAD Treasurer services between CLT and the GHAD on behalf of the GHAD Board, attached as Exhibit 2 to the Staff Report for this action.

4. The recitals are incorporated herein by this reference.

This Resolution shall become effective immediately upon its passage and adoption.

**Approved as to form:**

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Patricia Curtin  
GHAD Attorney