



**SPECIAL MEETING AGENDA
PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT
Meadow Room, Pajaro Dunes, 2661 Beach Road, Watsonville, CA 95076**

Saturday, September 19, 2015 9:00 a.m.

****Notice the Board will move directly into closed session immediately after opening the meeting and will re-open the public meeting after the conclusion of the closed session.****

A. OPEN SESSION CALL TO ORDER – PLEDGE OF ALLEGIANCE

Roll Call

Bill Lyons (H40) President	Jim Griffin (Director)(P9)
Bob Moore (P45) Vice President	David Bower (Director)(P48)
Wendy Cumming, Clerk/Accountant/Secretary	Raul Deju (Director)(CY4)

B. CLOSED SESSION

The Board will recess to closed session to confer with its attorney regarding litigation pursuant to Government Code Section 54956.9 (a); (d)(2) and is hereby of the opinion that a significant exposure to litigation exists.

Public comment limited to the identified closed session item will be accepted before the Board recesses.

C. MEMBER COMMENTS

Matters under the jurisdiction of the Board and not on the posted agenda, may be addressed by members of the public before the Board for consideration. However, California law prohibits the Board from taking action on any matter which is not on the posted agenda unless it is determined to be an emergency by the Board of PDGHAD. Any person wishing to address the Board during the Member Comment period shall be permitted to be heard for up to 3 minutes, A) individuals may speak only once and B) the Board is unable to address any owner comments in depth, but may choose to direct the Clerk to follow-up on the matter for a future meeting.

D. PRESIDENT’S REMARKS

The President will use this opportunity to inform the public of issues affecting the District and other items of a general nature not otherwise provided for on this agenda.

- El Niño, aka Godzilla, disaster preparedness
- PDA member concern

E. CONSENT CALENDAR

All matters listed on the Consent Calendar are considered to be routine by the Board of Directors and will be enacted by one motion at the appropriate time. There will be no separate discussion on these items. If discussion is desired, that item will be removed from the Consent Calendar and will be considered separately.

1. Approval of minutes June 13, and August 1, 2015
2. Resolution reconfirming the engineer of record

F. TREASURER'S REPORT

2. Financial Reports
 - Year Ended June 30, 2015
 - Warrant listing
 - Accept reports by motion

G. COMMITTEE REPORTS

3. Finance and Budget Committee (Bill Lyons/Wendy Cumming)
4. Community Membership and Relations Committee (Bill Lyons/Bob Moore)
5. Seawall Application and Repair Committee (Jim Griffin/David Bower)
6. Meetings attended by Directors at District expense since the last meeting of the Board (per AB1234 requirements). Such reports may be made orally or in writing.

H. NEW BUSINESS

7. ITEM – Consider action on amending the District's application to the Coastal Commission for the seawall repair work.

- a. Board report – Director Deju
- b. Public comment
- c. Board discussion
- d. Board action

8. ITEM – Consider accepting proposal for audit services from Hutchinson and Bloodgood, for audit services for the fiscal year ended June 30, 2015.

- a. Staff report
- b. Public comment
- c. Board discussion
- d. Board action

9. ITEM – Consider expenditure of an amount not to exceed \$5,000 as the District's pro rata share of the cost of an Economic Social Impact Study to be prepared by Kay Bowden

- a. Staff report
- b. Public comment
- c. Board discussion
- d. Board action

I. DIRECTORS COMMENTS AND CONCERNS

Members of the Board of Directors may address items of concern at this time, and may request that items be placed on future agendas in accordance with the By-laws of the Board.

J. ADJOURNMENT

The next Special Meeting of the Board of Directors is scheduled for November 14, 2015, at 9:00 a.m. at the offices of the Pajaro Dunes Geologic Hazard Abatement District, Board Room, Pajaro Dunes, 2661 Beach Road, Watsonville, CA 95076. Individuals who require special accommodations are requested to contact the District Clerk by calling (831) 761-7744, no less than 72 hours prior to the meeting or in the case of a Special Meeting, as soon as possible after the Agenda is posted. Copies of the agenda will be available 72 hours prior to the meeting and may be obtained by contacting the District at (831) 761-7744. All meetings are noticed and conducted in accordance with the Ralph M. Brown Act.



**REGULAR MEETING MINUTES
PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT
Meadow Room, Pajaro Dunes, 2661 Beach Road, Watsonville, CA 95076**

Saturday, June 13, 2015 9:00 a.m.

Start time 9:00

A. OPEN SESSION CALL TO ORDER – PLEDGE OF ALLEGIANCE

Roll Call

Bill Lyons (H40) President	Jim Griffin (Director)(P9)
Bob Moore (P45) Vice President	David Bower (Director)(P48)
Wendy Cumming, Clerk/Accountant/Secretary	Raul Deju (Board Member Elect)

B. PRESENTATIONS

- a. Oath of Office for newly elected Board Member

Clerk administered the Oath of Office to Raul Deju

C. PRESIDENT’S REMARKS

The President will use this opportunity to inform the public of issues affecting the District and other items of a general nature not otherwise provided for on this agenda.

- Emergency Response Plan update
- ARUP California Coastal Commission submittals

President Lyons commented that the Emergency Response update is being worked on by clerk and Carol Turley. Also, the District’s engineer has submitted an application to the CCC and a response has been received where more information is being requested.

D. MEMBER COMMENTS

Matters under the jurisdiction of the Board and not on the posted agenda, may be addressed by members of the public before the Board for consideration. However, California law prohibits the Board from taking action on any matter which is not on the posted agenda unless it is determined to be an emergency by the Board of PDGHAD. Any person wishing to address the Board during the Member Comment period shall be permitted to be heard for up to 3 minutes, A) individuals may speak only once and B) the Board is unable to address any owner comments in depth, but may choose to direct the Clerk to follow-up on the matter for a future meeting.

Member Comment:

No Comments

E. PUBLIC HEARING

1. ITEM – Public Hearing on the preliminary budget of the Pajaro Dunes Geologic Hazard Abatement District for the fiscal year July 1, 2015 to June 30, 2016.

- a. Staff report
- b. Open Public Hearing
- c. Close Public Hearing
- d. Board discussion
- e. Board action

Accountant gave a brief presentation on the preliminary budget should the 218 fail. No action was taken.

F. CONSENT CALENDAR

All matters listed on the Consent Calendar are considered to be routine by the Board of Directors and will be enacted by one motion at the appropriate time. There will be no separate discussion on these items. If discussion is desired, that item will be removed from the Consent Calendar and will be considered separately.

2. Approval of minutes February 14, and March 14, 2015

Motion to accept minutes by David Bower second by Bob Moore, approved by all except Raul Deju who was not a member at the time of the meetings.

G. TREASURER'S REPORT

3. Financial Reports
 - Eleven Month Period Ended May 31, 2015
 - Warrant listing
 - Accept reports by motion

Clerk gave a brief presentation.

Motion by Bob Moore, seconded by Jim Griffin, approved by all.

H. COMMITTEE REPORTS

4. Finance and Budget Committee (Bill Lyons/Wendy Cumming)
5. Community Membership and Relations Committee (Bill Lyons/Bob Moore)
6. Seawall Application and Repair Committee (Jim Griffin/David Bower)
7. Meetings attended by Directors at District expense since the last meeting of the Board (per AB1234 requirements). Such reports may be made orally or in writing.

No meetings.

I. NEW BUSINESS

8. ITEM – Proposed Assessment Election for Increased Zone 1 and Zone 2 Annual Administrative and Operating Budgets.

Staff report provided by President Bill Lyons. President Lyons provided a brief history on the District in that the primary purpose of the GHAD to manage the Sea wall and River wall. The Board members receive no compensation, there are five board members. He gave a run down on the board members experience.

President Lyons discussed the series of meetings that have taken place prior to the June 13th meeting providing membership opportunity to express their concerns. The budget being proposed is a maximum budget that will be reviewed and considered each year and the annual budget will not exceed this amount in any given year. The allocation formula will remain the same as the District is under now. A firewall will be set up to protect the reserve fund for the purposes in which it has been established. President Lyons gave an overview of the cost allocations and examples of the breakdown on the budget as it would impact row 1, 2, Cypress, back rows (3/4/5). President Lyons explained that through this budget the District would get the services of a CPA, attorney, clerk, etc.

President Lyons explained that comments will be received by the membership and the clerk will write down the comments and the board will determine which comments will be addressed.

Director Raul Deju made comments regarding the value of the properties at the District and that protecting the Seawall assists in keeping the values of the properties up. Raul explained that the long-term debt of the GHAD will be paid down by 2019. His suggestion is that when we do budget the District should try to minimize the fiscal impact to the District.

a.) Consider adopting a Resolution Appointing Engineer of Record, Accepting Engineer's Report for the Fiscal Year 2015-2016 Assessment Election and Declaring Intention to authorize and Levy an Assessment for Administrative and Operating Budgets for Zones 1 and 2

- a. Staff report
- b. Public comment
- c. Board discussion
- d. Board action

Mike Rodriguez gave a staff report on the engineer's report, which provides a means for calculating the 218 budgets. The Resolutions require the approval by the property owners. The members will have a 45 day period to cast their vote. At the Meeting on August 1st, 2015, the membership can provide their vote. The meeting will open and then close for a count of the votes, and then reopened to receive the vote count. The ballots will be counted by an individual independent of the District. If the vote does pass the District will submit the assessments to the County of Santa Cruz. The 218 process requires a President's report which is also the same information as the Engineer's report.

Member Comments:

Member Stacey Stillman – Stacey said there is a divide in the membership since 1999 and the scope of the repair has vastly changed. She commented that the special benefit does not benefit the homes that are directly impacted.

Jeff Dunn, Engineer, commented that the seawall repair is not a part of this election. The special benefit is to develop over a period of time to build funds should an episode arise.

David Bower commented that the seawall repair is not individually divided. The maintenance and repair benefit the District as a whole.

Jeff Dunn, stated that if the wall fails it could have impacts on not just row 1, but could impact rows 2, 3, and 4.

Tony Silvera (H22) asked about the existing rock on the state property, and the engineer's report that has a statement of "if economical". Tony asked Jeff Dunn to take a look at the language. Engineer will address this language in the report as this will be more than likely have to be done.

Steve Erickson had questions for the engineer regarding the foundation at some of the front row homes. Steve asked about the weighting of the ballots, and if that was how the count would be done. Which staff responded that was the case.

Member John Kohler asked if the board has taken a look on how the District benefits the members over the long term. President Lyons commented that there have been several committees, and long with a series of changes in the board, the financial impact of the District has been taken into consideration. John stated that should there be a 5 million dollar repair, that cost should be allocated to those directly impacted by the repair. John felt that a good hard look at the impact be done.

Per Raul Deju he stated that a good hard look has been done.

Board Discussion:

Bob Moore commented that the discussion should be made to move forward with the election.

Jim Griffin commented that the longer the District waits the more costly it might be for the District.

David Bower commented on why the District is trying to acquire a cash reserve as opposed to a credit line reserve. The current credit line expires in 2016 and we likely will not be able to increase that line should the District need it. He is not in favor of credit lines to fund emergency funding.

President Bill Lyons stated that there are several new homeowners in the group. He gave a brief history on the cost of the seawall repair was around 18 to 30 million dollars. The new board brought on a new engineer and the project went from 18 to 30 million down to around 2 million for the hard costs.

Motion to approve the resolution 02-2015 by Jim Griffin seconded by Bob Moore, approved by all.

b.) Consider adopting a Resolution of Accepting the President's Report on the Fiscal Year 2015-2016 Assessment Election

- a. Staff report
- b. Public comment
- c. Board discussion
- d. Board action

Richard Jadrich asked for a brief summary of the 218 process. Mike Rodriguez provided the brief summary of the 218 process. Jeff Dunn explained that the voting allocation mirror the property allocation.

There was more discussion regarding the long-term repair, in which Mike Rodriguez explained that this 218 process does not cover the long-term repairs to the seawall, only the operating and reserve budget.

Motion to accept resolution to accept the president's report on the fiscal year 2015-2016 assessment election 03-2015 First by David Bower seconded by Raul Deju, approved by all.

c.) Consider adopting a Resolution of Approval of Balloting Procedures for Voting in the Proposed Assessment for the Zone 1 and 2 Annual Administrative and Operating Budget

- a. Staff report
- b. Public comment
- c. Board discussion
- d. Board action

Motion to accept resolution 04-2015 approving balloting procedures for voting in the proposed assessment for zone 1 and 2 annual administrative and operating budget, first by Bob Moore seconded by Raul Deju, approved by all.

d.) Consider adopting a Resolution to Approve Ballots for the Zone 1 and 2 Administrative and Operating Budget Election for Fiscal Year 2015-2016

- a. Staff report
- b. Public comment
- c. Board discussion
- d. Board action

Motion to approve resolution 05-2015, approving ballots for Zones 1 and 2, Administrative and Operating budget election for fiscal year 2015-2016, first by Raul Deju seconded by David Bower, approved by all.

e.) Consider adopting a Resolution to Approve Notice of Assessment Balloting and Public Hearing for Zone 1 and 2 Assessment Balloting Procedure.

- a. Staff report
- b. Public comment
- c. Board discussion
- d. Board action

Motion to approve resolution 06-2015 to approve notice of assessment balloting and public hearing for zone 1 and 2 assessment balloting procedures first by Raul Deju, seconded by David Bower, approved by all.

J. DIRECTORS COMMENTS AND CONCERNS

Members of the Board of Directors may address items of concern at this time, and may request that items be placed on future agendas in accordance with the By-laws of the Board.

K. ADJOURNMENT

Motion to adjourn by Raul Deju seconded by David Bower

There being no further business to come before the Board, the meeting was adjourned at 10:46 a.m.

Attest: _____

Wendy Cumming
Clerk of the Board
Pajaro Dunes Geologic Hazard
Abatement District.

D. PRESIDENT'S REMARKS

The President will use this opportunity to inform the public of issues affecting the District and other items of a general nature not otherwise provided for on this agenda.

President Lyons thanked the membership for attending the meeting.

D. CONSENT CALENDAR

All matters listed on the Consent Calendar are considered to be routine by the Board of Directors and will be enacted by one motion at the appropriate time. There will be no separate discussion on these items. If discussion is desired, that item will be removed from the Consent Calendar and will be considered separately.

No items.

E. NEW BUSINESS

8. ITEM – Consider adopting a Resolution Rescinding Resolution 07-2015 and Vacating the Fiscal Year 2015-2016 Assessment Ballot Election Proceedings for a New Assessment for Administrative and Operating Budgets for Zones 1 and 2

- a. Staff report
- b. Public comment
- c. Board discussion
- d. Board action

Received staff report from general council Mike Rodriguez. Mike referenced the written report, and explained that during the time the board had started the election process, the board became aware of the potential need to consider vacating the election. There were possibly some minor corrections necessary to move forward. Staff recommended the election be vacated.

Rob Allen H96, asked who authored the ballot document. Mike Rodriguez stated that he prepared the document.

Barry Grey (H64), asked for more information on why the Board was backing off of the election. Mike Rodriguez commented that the emergency fund is the focus of the reanalysis.

Nicole Broch (P10), asked if there were two issues on the ballot the emergency fund and the allocation. Bill Lyons stated that there was a zone one and zone two. Mike Rodriguez stated it was not just the ballot language, but was about that the zone 1 and zone 2 language that made it impossible to uncouple the two zones.

A member asked if there was a question about the allocation of the costs. Bill Lyons stated that he did not believe so, that there were certain items that were pointed out that could impact the success down the road, and the board wants to do it right.

Motion to vacate the election by Jim Griffin seconded by David Bower. Approved by all.

The ballot counting committee was then excused.

9. ITEM –

A. Consider adoption of a Resolution to Accept Election Results and Making Findings and Providing Direction Associated with the Zone 1 Annual Administrative and Operating Budget Assessment

- a. Staff Report
- b. Open Public Hearing
- c. Close Public Hearing
- d. Board Discussion
- e. Board Action

B. Consider adoption of a Resolution to Accept Election Results and Making findings and Providing Direction Associated with the Zone 2 Annual Administrative and Operating Budget Assessment

- a. Staff Report
- b. Open Public Hearing
- c. Close Public Hearing
- d. Board Discussion
- e. Board Action

Motion by Raul Deju, seconded by Bob Moore to table items 9 A and 9 B, approved by all.

10. ITEM – Consider adopting the final budget for the fiscal year July 1, 2015 through June 30, 2016

- a. Staff report
- b. Public comment
- c. Board discussion
- d. Board action

Member Steve Erickson (H34) asked for re-assurance that the Board has enough money and will not be running out of money. Bill Lyons responded that board is moving with a budget that will support the GHAD activities, but not to the level necessary.

Board comment –

David Bower proposed Zone 2 budget be adjusted with insurance from 8K down to 4K, under audit fees reduce the amount from \$3,500, to \$500. Zone 2 total budget set at \$12,507. Under Zone 1, total insurance costs change from \$8k to \$9k, under board and clerk training change from \$4k to \$1k. Change audit fees from \$3,500 to, \$6,500. Change website from \$4k to \$3k. Keeping the balance at \$57,500 with no change to the total administrative cost.

Motion by Bob Moore, second by Raul Deju, approved by all.

F. DIRECTORS COMMENTS AND CONCERNS

Members of the Board of Directors may address items of concern at this time, and may request that items be placed on future agendas in accordance with the By-laws of the Board.

David Bower commented that waiting until November is too long and the board should meet sooner. Bill Lyons directed the District Clerk to arrange a date in September.

Bill Lyons thanked the membership for attending meeting.

Bill Lyons asked Raul Deju to interface with the engineer and provide an update at the next meeting. Bill Lyons asked Raul Deju and Mike Rodriguez to work together to communicate with the engineer of record for items needed.

Brian Mullins (H93) asked about the timeline for the repairs and the status of the project. The board commented that the District is still waiting for the Coastal Commission response.

David Bower made general comments about the process with the Coastal Commission. If the District does not continue to pursue the permit with the Coast Commission, and stops the progress the State can impose \$75k per year going back many years.

Bob Moore asked for another closed session at this meeting.

G. ADJOURNMENT

Motion to adjourn by Bob Moore seconded by Jim Griffin approved by all.

There being no further business to come before the Board, the meeting was adjourned at 11:31 a.m.

Attest: _____

Wendy Cumming
Clerk of the Board
Pajaro Dunes Geologic Hazard
Abatement District

**BOARD OF DIRECTORS
PAJARO DUNES GEOLOGIC HAZARD ABATEMENT DISTRICT**

A Resolution Reconfirming Designation of Arup North America, Ltd. as Engineer of Record for the District’s Engineering and Construction Management Needs

WHEREAS, the Pajaro Dunes Geologic Hazard Abatement District (“GHAD”) was formed in 1998, pursuant to the Geologic Hazard Abatement District Law in Division 17 of the California Public Resources Code, for the purpose of maintaining improvements within the District, namely, a rock revetment seawall and a steel sheet piling river wall (“the “Improvements”); and

WHEREAS, GHAD has the need to retain a professional engineer for ongoing repair and maintenance services related to said Improvements, as well as to act as engineer for purposes of managing contracts during emergency circumstances; and

WHEREAS, in November of 2012, GHAD entered into a “Contract for Professional Services” with Arup North America, Ltd, (“Arup”) for engineer design, construction management and emergency management services, and said contract is still in full force and effect; and

WHEREAS, although GHAD and Arup believe that all requirements related to Arup’s designation as “Engineer of Record” for GHAD services and projects have been previously fulfilled, the GHAD Board wishes to reconfirm its designation of Arup as GHAD’s “Engineer of Record.”

NOW THEREFORE, BE IT HEREBY RESOLVED by the Board of Directors of the Pajaro Dunes Geologic Hazard Abatement District that the Board reconfirms that pursuant to the “Contract For Professional Services” between the Pajaro Dunes Geologic Hazard Abatement District and Arup North America, Ltd., entered into on November 17th, 2012, Arup has been designated as “Engineer of Record” for all services designated in said agreement, or any amendments thereto, including, but not limited to the preparation of all documents and submissions related to the “Pajaro Dunes Seawall Repair and Maintenance Project,” related items of engineering and construction management, and oversight and management of contracts related to emergency response efforts performed by Granite Construction. A copy of this resolution may, as necessary, be provided to any interested party, including representatives of the County of Santa Cruz, as proof of Arup’s status as “Engineer of Record.”

PASSED AND ADOPTED by the Board of Directors of the Pajaro Dunes Geologic Hazard Abatement District of the County of Santa Cruz, State of California, this 19th day of September, 2015 by the following vote:

AYES: Directors:

NOES: Directors:

ABSTAIN: Directors:

ABSENT: Directors:

President, Board of Directors

ATTEST:

Clerk of the Board

Pajaro Dunes Geologic Hazard Abatement District
Balance Sheet
As of June 30, 2015

	Jun 30, 15
ASSETS	
Current Assets	
Checking/Savings	
100000 · SCCB Zone 1 - 3957	37,936.21
100001 · SCCB Zone 2 - 3965	44,431.90
100002 · SCCB Z1 Emerg - 1877	83,277.53
100003 · SCCB LTD- 0208	52,033.62
100400 · Union Bank Bond Holding	302,136.74
Total Checking/Savings	519,816.00
Accounts Receivable	
120000 · Assessments Receivable	168,980.31
120500 · Assess. Rec. Delinquent	11,246.53
Total Accounts Receivable	180,226.84
Other Current Assets	
121500 · Prepaid Insurance	11,770.00
Total Other Current Assets	11,770.00
Total Current Assets	711,812.84
Fixed Assets	
150000 · Riverwall	3,000,000.00
160000 · Accumulated Depreciation	-1,050,000.00
Total Fixed Assets	1,950,000.00
TOTAL ASSETS	2,661,812.84
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
200000 · Accounts Payable	66,205.98
Total Accounts Payable	66,205.98
Other Current Liabilities	
220000 · Accrued Interest	38,063.86
255000 · Unearned Revenue	39,187.00
Total Other Current Liabilities	77,250.86
Total Current Liabilities	143,456.84
Long Term Liabilities	
260000 · NP SCCB (439k) Loan	221,123.08
261000 · NP SCCB (198k) Loan	74,909.28
263000 · SCCB Emergency Loan Z1	65,208.31
285000 · Bonds Payable Z2	1,510,000.00
286000 · Bonds Payable Discount Z2	-52,250.00
286500 · Amort. Bond Discount Z2	21,421.00
Total Long Term Liabilities	1,840,411.67
Total Liabilities	1,983,868.51
Equity	
30000 · Opening Balance Equity	607,355.35
32000 · Retained Earnings	98,778.52
Net Income	-28,189.54
Total Equity	677,944.33
TOTAL LIABILITIES & EQUITY	2,661,812.84

Pajaro Dunes Geologic Hazard Abatement District Profit & Loss Budget vs. Actual

July 2014 through June 2015

Zone 1

	Jul '14 - Jun 15	Budget	\$ Over Budget
Ordinary Income/Expense			
Income			
410000 - Assessment Income	193,812	193,819	(7)
410050 - Assess. Income PDA Stairs	5,803	5,897	(94)
Total Income	<u>199,615</u>	<u>199,716</u>	<u>(101)</u>
Expense			
610155 - Postage and Mailings	404	225	179
615115 - Office Expense	1,537		1,537
615140 - Audit Expense	3,750	3,750	-
615415 - Accounting/Clerk Expense	29,831	10,250	19,581
615650 - Officer Election	2,441	2,000	441
615655 - Dues	70		70
616500 - Legal Fees	11,535	1,929	9,606
619010 - Technical Consulting Costs	81,781		81,781
628500 - Insurance Expense	6,943	6,750	193
629030 - SBA Repayment to PHA Z2	-		
629900 - Bond Fee Expense	-		
650000 - Bank Service Charges	-		
750000 - Depreciation Expense Z2	-		
Total Expense	<u>138,292</u>	<u>24,904</u>	<u>113,388</u>
Net Ordinary Income	<u>61,323</u>	<u>174,812</u>	<u>(113,489)</u>
Other Income/Expense			
Other Income			
410070 - Interest Income	246	50	196
Total Other Income	<u>246</u>	<u>50</u>	<u>196</u>
Other Expense			
855000 - Interest Expense	25,724	25,521	203
955500 - Interest Bond Discount	-		
Total Other Expense	<u>25,724</u>	<u>25,521</u>	<u>203</u>
Net Other Income	<u>(25,479)</u>	<u>(25,471)</u>	<u>(8)</u>
Net Income	<u><u>35,845</u></u>	<u><u>149,341</u></u>	<u><u>(113,496)</u></u>

Pajaro Dunes Geologic Hazard Abatement District Profit & Loss Budget vs. Actual

July 2014 through June 2015

Zone 2

	<u>Jul '14 - Jun 15</u>	<u>Budget</u>	<u>\$ Over Budget</u>
Ordinary Income/Expense			
Income			
410000 - Assessment Income	255,204	248,072	7,132
410050 - Assess. Income PDA Stairs	1,969	1,969	-
Total Income	<u>257,173</u>	<u>250,041</u>	<u>7,132</u>
Expense			
610155 - Postage and Mailings	173	50	123
615115 - Office Expense	-		-
615140 - Audit Expense	3,750	2,275	1,475
615415 - Accounting/Clerk Expense	16,016	2,817	13,199
615650 - Officer Election	2,441	2,000	441
615655 - Dues	70	50	20
616500 - Legal Fees	14,635	250	14,385
619010 - Technical Consulting Costs	-		-
628500 - Insurance Expense	6,943	6,750	193
629030 - SBA Repayment to PHA Z2	92,856	92,856	-
629900 - Bond Fee Expense	635	600	35
650000 - Bank Service Charges	52		52
750000 - Depreciation Expense Z2	100,000	100,000	-
Total Expense	<u>237,570</u>	<u>207,648</u>	<u>29,922</u>
Net Ordinary Income	19,603	42,393	(22,790)
Other Income/Expense			
Other Income			
410070 - Interest Income	169	150	19
Total Other Income	<u>169</u>	<u>150</u>	<u>19</u>
Other Expense			
855000 - Interest Expense	81,719	81,804	(85)
955500 - Interest Bond Discount	2,088	2,088	-
Total Other Expense	<u>83,807</u>	<u>83,892</u>	<u>(85)</u>
Net Other Income	<u>(83,638)</u>	<u>(83,742)</u>	<u>104</u>
Net Income	<u><u>(64,034)</u></u>	<u><u>(41,349)</u></u>	<u><u>(22,685)</u></u>

Pajaro Dunes Geologic Hazard Abatement District Profit & Loss Budget vs. Actual

July 2014 through June 2015

	TOTAL		
	Jul '14 - Jun 15	Budget	\$ Over Budget
Ordinary Income/Expense			
Income			
410000 - Assessment Income	449,016	441,891	7,125
410050 - Assess. Income PDA Stairs	7,772	7,866	(94)
Total Income	456,788	449,757	7,031
Expense			
610155 - Postage and Mailings	577	275	302
615115 - Office Expense	1,537	-	1,537
615140 - Audit Expense	7,500	6,025	1,475
615415 - Accounting/Clerk Expense	45,847	13,067	32,780
615650 - Officer Election	4,882	4,000	882
615655 - Dues	139	50	89
616500 - Legal Fees	26,170	2,179	23,991
619010 - Technical Consulting Costs	81,781	-	81,781
628500 - Insurance Expense	13,886	13,500	386
629030 - SBA Repayment to PHA Z2	92,856	92,856	-
629900 - Bond Fee Expense	635	600	35
650000 - Bank Service Charges	52	-	52
750000 - Depreciation Expense Z2	100,000	100,000	-
Total Expense	375,862	232,552	143,310
Net Ordinary Income	80,927	217,205	(136,278)
Other Income/Expense			
Other Income			
410070 - Interest Income	415	200	215
Total Other Income	415	200	215
Other Expense			
855000 - Interest Expense	107,443	107,325	118
955500 - Interest Bond Discount	2,088	2,088	-
Total Other Expense	109,531	109,413	118
Net Other Income	(109,116)	(109,213)	97
Net Income	(28,190)	107,992	(136,182)

Pajaro Dunes Geologic Hazard Abatement District
Warrant Listing
As of June 30, 2015

Type	Date	Num	Name	Credit
100000 · SCCB Zone 1 - 3957				
Bill Pmt -Check	05/04/2015	1224	Jarvis, Fay, Doport & Gibson,...	1,040.00
Bill Pmt -Check	05/04/2015	1226	Wendy L. Cumming, CPA	2,144.15
Bill Pmt -Check	06/12/2015	1227	Jarvis, Fay, Doport & Gibson,...	1,060.00
Bill Pmt -Check	06/12/2015	1228	Pajaro Dunes Association	1,500.00
Bill Pmt -Check	06/12/2015	1229	Wendy L. Cumming, CPA	3,869.43
Total 100000 · SCCB Zone 1 - 3957				9,613.58
100001 · SCCB Zone 2 - 3965				
Bill Pmt -Check	05/04/2015	1183	Jarvis, Fay, Doport & Gibson,...	1,040.00
Bill Pmt -Check	05/04/2015	1186	Pelican Home Owner's Associ...	7,738.00
Bill Pmt -Check	05/04/2015	1187	Wendy L. Cumming, CPA	1,314.16
Bill Pmt -Check	06/12/2015	1188	Jarvis, Fay, Doport & Gibson,...	1,060.00
Bill Pmt -Check	06/12/2015	1189	Pelican Home Owner's Associ...	7,738.00
Bill Pmt -Check	06/12/2015	1190	Union Bank	635.00
Bill Pmt -Check	06/12/2015	1191	Wendy L. Cumming, CPA	2,371.59
Total 100001 · SCCB Zone 2 - 3965				21,896.75
TOTAL				31,510.33

August 25, 2015

Mr. William Lyons, President
Board of Directors
Pajaro Dunes Geologic Hazard Abatement District
Watsonville, California 95076

Dear Mr. Lyons:

The Objective and Scope of the Audit of the Financial Statements

You have requested that we audit the financial statements of Pajaro Dunes Geologic Hazard Abatement District (the "District"), for the year ended June 30, 2015. Management is responsible for the preparation of the required supplementary information (RSI) and supplementary information presented in relation to the financial statements as a whole in accordance with accounting principles generally accepted in the United States of America. Management agrees to include the auditor's report on the RSI and supplementary information in any document that contains the supplementary information and that indicates that the auditor has reported on such RSI and supplementary information. Management also agrees to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

Our audit will be conducted with the objective of our expressing an opinion on the financial statements.

The Responsibilities of the Auditor

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements. The determination of abuse is subjective; therefore, *Government Auditing Standards* do not expect us to provide reasonable assurance of detecting abuse.

In making our risk assessments, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

We will also communicate to the Board (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements that becomes known to us during the audit, and (b) any instances of noncompliance with laws and regulations that we become aware of during the audit (unless they are clearly inconsequential).

The Responsibilities of Management and Identification of the Applicable Financial Reporting Framework

Our audit will be conducted on the basis that management acknowledge and understand that they have responsibility:

- a. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
- b. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- c. For establishing and maintaining effective internal control over financial reporting and for informing us of all significant deficiencies and material weaknesses in the design or operation of such controls of which it has knowledge;
- d. For (a) making us aware of significant vendor relationships where the vendor is responsible for program compliance, (b) following up and taking corrective action on audit findings, including the preparation of a summary schedule of prior audit findings, and a corrective action plan, and (c) report distribution including submitting the reporting package; and
- e. To provide us with:
 - (1) Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
 - (2) Additional information that we may request from management for the purpose of the audit;
 - (3) Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence;

As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit including among other items:

- a. That management has fulfilled its responsibilities as set out in the terms of this letter; and
- b. That it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for identifying and ensuring that District complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud or abuse, and for informing us about all known or suspected fraud or abuse affecting the entity involving management, employees who have significant roles in internal control, and others where the fraud or abuse could have a material effect on the financial statements or compliance. Management is also responsible for informing us of its knowledge of any allegations of fraud or abuse or suspected fraud or abuse affecting the entity received in communications from employees, former employees, analysts, regulators, or others.

Management is responsible for the preparation of the supplementary information in accordance with accounting principles generally accepted in the United States of America. Management agrees to include the auditor's report on the supplementary information in any document that contains the supplementary information and that indicates that the auditor has reported on such supplementary information. Management also agrees to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.

The Board is responsible for informing us of its views about the risks of fraud or abuse within the entity, and its knowledge of any fraud or abuse or suspected fraud or abuse affecting the entity.

Pajaro Dunes Geologic Hazard Abatement District agrees that it will not associate us with any public or private securities offering without first obtaining our consent. Therefore, Pajaro Dunes Geologic Hazard Abatement District agrees to contact us before it includes our reports or otherwise makes reference to us, in any public or private securities offering.

Because Hutchinson and Bloodgood LLP will rely on Pajaro Dunes Geologic Hazard Abatement District and its management to discharge the foregoing responsibilities, Pajaro Dunes Geologic Hazard Abatement District holds harmless and releases Hutchinson and Bloodgood LLP, its partners, and employees from all claims, liabilities, losses, and costs arising in circumstances where there has been a knowing misrepresentation by a member of Pajaro Dunes Geologic Hazard Abatement District's management which has caused, in any respect, Hutchinson and Bloodgood LLP's breach of contract or negligence. This provision shall survive the termination of this arrangement for services.

Pajaro Dunes Geologic Hazard Abatement District's Records and Assistance

If circumstances arise relating to the condition of the District's records, the availability of appropriate audit evidence, or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment, prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion, issue a report, or withdraw from the engagement.

During the course of our engagement, we may accumulate records containing data that should be reflected in the District's books and records. The District will determine that all such data, if necessary, will be so reflected. Accordingly, the District will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by District personnel, including the preparation of schedules and analyses of accounts, has been discussed and coordinated with Wendy Cumming. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

Other Relevant Information

From time to time and depending upon the circumstances, we may use third-party service providers to assist us in providing professional services to you. In such circumstances, it may be necessary for us to disclose confidential client information to them. We enter into confidentiality agreements with all third-party service providers and we are satisfied that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others.

In accordance with *Government Auditing Standards*, a copy of our most recent peer review report is enclosed, for your information.

Fees, Costs, and Access to Workpapers

Our fees for the audit and accounting services described above are based upon the value of the services performed and the time required by the individuals assigned to the engagement, plus direct expenses. Our fee estimate and completion of our work is based upon the following criteria:

- a. Anticipated cooperation from District personnel.
- b. Timely responses to our inquiries.
- c. Timely completion and delivery of client assistance requests.
- d. Timely communication of all significant accounting and financial reporting matters.
- e. The assumption that unexpected circumstances will not be encountered during the engagement.

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, typing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, will not exceed \$7,700. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be

rendered each month as work progresses and are payable on presentation. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

In the event we are requested or authorized by Pajaro Dunes Geologic Hazard Abatement District or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagement for Pajaro Dunes Geologic Hazard Abatement District, Pajaro Dunes Geologic Hazard Abatement District will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

The documentation for this engagement is the property of Hutchinson and Bloodgood LLP. However, you acknowledge and grant your assent that representatives of the cognizant or oversight agency or their designee, other government audit staffs, and the U.S. Government Accountability Office shall have access to the audit documentation upon their request and that we shall maintain the audit documentation for a period of at least three years after the date of the report, or for a longer period if we are requested to do so by the cognizant or oversight agency. Access to requested documentation will be provided under the supervision of Hutchinson and Bloodgood LLP audit personnel and at a location designated by our Firm.

It is our policy to keep records related to this engagement for seven years. However, the Firm does not keep any original client records, so we will return those to you at the completion of the services rendered under this engagement. When records are returned to you, it is your responsibility to retain and protect your records for possible future use, including potential examination by any government or regulatory agencies. By your signature below, you acknowledge and agree that upon the expiration of the seven-year period the Firm shall be free to destroy our records related to this engagement.

Hutchinson and Bloodgood LLP is a member of PKF International Limited, an association of legally independent member firms. Neither the other member firms nor PKF International Limited is responsible or accept liability for the work or advice which Hutchinson and Bloodgood LLP provides to its clients and in signing and returning to us the enclosed copy of this Engagement Letter you acknowledge and accept that such other member firms and PKF International Limited do not owe you any duty in relation to the work or advice which we will from time to time provide to you or are required to provide to you.

Claim Resolution

You agree that any dispute that may arise regarding the meaning, performance or enforcement of this engagement will, prior to resorting to litigation, be submitted to mediation, and that the parties will engage in the mediation process in good faith once a written request to mediate has been given by any party to the engagement. Any mediation initiated as a result of this engagement shall be administered within the county of Santa Cruz, California, by a member of the American Arbitration Association or the American Bar Association Section of Dispute Resolution, according to its mediation rules, and any ensuing litigation shall be conducted within said county, according to California law. The results of any such mediation shall be binding only upon agreement of each party to be bound. The costs of any mediation proceeding shall be shared equally by the participating parties.

Reporting

We will issue a written report upon completion of our audit of Pajaro Dunes Geologic Hazard Abatement District's financial statements. Our report will be addressed to the Board of Pajaro Dunes Geologic Hazard Abatement District. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

This letter constitutes the complete and exclusive statement of agreement between Hutchinson and Bloodgood LLP and Pajaro Dunes Geologic Hazard Abatement District, superseding all proposals, oral or written, and all other communications, with respect to the terms of the engagement between the parties.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

Very truly yours,

HUTCHINSON AND BLOODGOOD LLP

A handwritten signature in black ink that reads "Karen Semingson". The signature is written in a cursive, flowing style.

Karen Semingson, CPA
Partner

Accepted:

By: _____
President, Board of Directors

Date: _____



System Review Report

To the Partners of
Hutchinson and Bloodgood LLP
and the National Peer Review Committee of the AICPA

We have reviewed the system of quality control for the accounting and auditing practice of Hutchinson and Bloodgood LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended September 30, 2014. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based upon our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Hutchinson and Bloodgood LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended September 30, 2014, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Hutchinson and Bloodgood LLP has received a peer review rating of *pass*.

Weaver and Tidwell, LLP
WEAVER AND TIDWELL, L.L.P.

Dallas, Texas
January 16, 2015