

October 17, 2018

Attached is a letter to the RMCC President from Mark Martin, the General Manager of the RMCCSD. It is important that this letter be made available to ALL the the ratepayers of the District. The issues surrounding the financial health of the RMCC impact everyone and deserve a continuing, open community discussion.

The letter documents a private meeting between the President of RMCC and the CSD General Manager. It memorializes a request by RMCC that CSD pay for replacement pumps that are used in the reclaimed water system on the RMCC golf courses. Replacement of the pumps is clearly not a CSD responsibility. While both parties to this conversation seem to agree on the responsibility issue, some of the surrounding conversation is of concern. First is a comment that if CSD does not pay, the RMCC could simply abandon the pumps and leave the ponds that hold the reclaimed water to "rot and create smell issues." Second is an argument that reception of reclaimed water at RMCC "benefits the entire community. This is quite true. However, when considered in tandem with another recent RMCC request, this creates a larger concern. The RMCC has previously asked CSD to have the CSD legal counsel evaluate the 1988 reclaimed water agreement. RMCC wishes to explore a way it could charge each CSD ratepayer a fee for depositing reclaimed water on golf course property. I sense that the "benefits to the entire community" statement is tied to this request and is viewed by RMCC as an potential avenue to generate revenue. What is problematic is a fee such as this one will not directly benefit ALL the ratepayers of the CSD. As 60% (or more) of our ratepayers are not RMCC members, any consideration of such a fee would clearly result in a gift of public funds. Coupled with another widely circulated idea to charge each lot owner a fee and make RMCC membership mandatory, the issues of private and public ownership become extremely clouded. A private club cannot use a special district to create revenue streams to compensate for it's financial instability. To quote a widely used term we all recognize, this represents a "government bailout".

The recent RMCC President's letter expresses a personal concern for constantly rising rates in the three "entities". What could pose a more dramatic impact on rates than an arbitrary assessment on nearly two thirds of our residents?

The CSD Board has always included RMCC members and this has always been of little concern. Prior to 1999, every lot owner inside the gates was a member of the RMCC. A considerable number of the Murieta Villagers also belonged to the club. After RMCC abandoned its lot ownership requirement so it could "cap" its membership, the club continued to enjoy a financial position that allowed it to fund its obligations. As membership declined and the financial crisis at RMCC became critical, the CSD's position has grown more tenuous. I believe we need to take specific procedural measures to protect the CSD Board from the potential of a conflict of interest (when a majority of Directors are RMCC members), recusals that could result in the ability to maintain a quorum, a potential of litigation over gifts/misuse of public funds and personal liability to CSD's board

I suggest that other than basic operational issues afforded any CSD customer, all infrastructure requests from RMCC should received in writing. Any written request should be processed through the improvements committee. This is no different than how we deal with development issues which are presented by any private entity. The receipt of written requests will provide the necessary transparency and will eliminate the need to document the results of private meetings, often conducted by just two individuals. Unfortunately, we have grown to a point where it is simply not possible for us to simply get together and help each other out.

A healthy RMCC benefits everyone who lives inside the gates of Rancho Murieta. It was the primary reason our CSD Board chose to explore opportunities involving owning the land under the golf courses and to construct a community center to enhance the RMCC. We painstakingly pursued this idea with complete transparency. Unfortunately, we could not agree on a structure favorable to all the parties involved and we were informed by the lessor that the property was not for sale.

Personally, I would, at an appropriate time, be very open to revisiting these discussions. That said, any plan or resulting bond issue would be a plan voted on by every ratepayer in the District. We, as a community, could move forward based on the results of that election. Certainly, this represents a better approach than a mandatory assessment fee or mandatory membership in a private club. Unfortunate as it may be, the RMCC cannot offer the lifestyle and services that a majority of our residents desire. If it did, a large majority of our residents would already be members. Hopefully, we can eventually recognize the demographic shift in our community that continues to impact club membership. If we do that, I believe we can grow a stronger community. In the interim, I suggest that even the discussion of ANY mandatory fee to non members will divide the community and make any future discussions on this issue impossible. It would be greatly helpful if the RMCC would make a meaningful statement of its intent to the entire community, particularly to those of us who do not belong.

John Merchant  
Director, Rancho Murieta CSD



## Rancho Murieta Community Services District

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August 30, 2018

Mr. Mike Martel  
Board President  
Rancho Murieta Country Club  
7000 Alameda Drive  
Rancho Murieta, CA 95683

**RE: Response to RMCC Request for RMCS D to Incur Cost to Replace RMCC Reclaimed Water Pumps**

Dear Mike,

Below are the facts of our discussion the afternoon of July 13, 2018 regarding RMCC's reclaimed water pumps and RMCS D's response to your request.

- 1) Your request was to have RMCS D pay for six (6) new reclaimed water pumps that are needed as part of RMCC's reclaimed water infrastructure at a total cost of \$32-\$40K. Funds you made clear the RMCC does not have.
- 2) In your capacity as a representative of the RMCC, you fully conceded RMCC's responsibility for upkeep, repair, and replacement of the pumps, but argued that the reception of reclaimed water at the Club benefitted the entire community.
- 3) I agreed to review the Agreement for Availability and Use of Reclaimed Wastewater dated May 16, 1988 and the subsequent amendment dated December 9, 1992 (the "Agreement") to see if there was room to interpret where the District as a public agency could gift the pumps to RMCC, a private entity, as you requested.
- 4) You commented during our discussion that if RMCS D were not willing to fund the pumps that RMCC can just walk away and leave the property to Sullivan (Murieta Club Properties, LLC) and let the ponds rot and create smell issues.
- 5) As our discussion concluded, I made clear I didn't wish to leave you with an impression the CS D was going to be able to pay for those pumps.

Part of our discussion revolved around what parties benefitted from the RMCC's acceptance of reclaimed water. By way of information, during the past 10 years, if the RMCC were required to use potable water in place of reclaimed water, our calculations reflect the Club would have incurred an average of \$283K per year in water costs. From this, it appears RMCC's use of reclaimed water has significantly benefitted the Club financially. Additionally, by accepting reclaimed water as a beneficial use, potable water resources are freed for residential growth that will likely benefit the RMCC in the form of a greater population from which to draw new membership.

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Board of Directors: Mark Pecotich, *President* • Morrison Graf, *Vice-President* • Les Clark • John Merchant • Gerald Pasek  
General Manager • Mark Martin

Based on my re-reading of the Agreement, RMCS D agrees the RMCC maintains responsibility for the repair, maintenance and replacement of RMCC's recycled water lines and pumps. The Agreement is in force for nearly another ten years. In the event RMCC can no longer uphold the Agreement or the property reverts to the landowner, the landowner as the other successor in interest to the original Agreement remains responsible to uphold the requirements of the Agreement. There is no mechanism or requirement for the District to cover the RMCC's financial responsibilities under the Agreement.

Here are some facts that informed the District's decision:

- 1) RMCC is a private business benefitting a subset of the RMCS D ratepayers and residents.
- 2) Around 1999-2000, in an attempt to maintain exclusivity, RMCC chose as a business decision to no longer require all RMA residences to be RMCC members. The reason being the Club and its facilities were becoming too crowded. With this choice came the benefits of greater exclusivity that have accrued to Club members for nearly two decades. Unfortunately, this choice turned out to be a poor financial business decision.
- 3) RMCC's financial situation leading to this request is unfortunate but largely due to the financial priorities and past management practices of the Club. One of two circumstances likely existed, either funds were available but directed to priorities other than proper maintenance of infrastructure, or proper assessment of RMCC members did not occur to the extent necessary to maintain the reclaimed water infrastructure properly. Either of these cases reflect business decisions of a private entity that financially benefitted the entity and its members over a period of years to the detriment of proper maintenance and budgeting for replacement of infrastructure.

Based on these facts and beyond the questionable legality of a public agency gifting public funds to a private entity, we believe it would be unreasonable to expect the remainder of the RMCS D ratepayers, including a majority of homeowners who are not club members, to cover the cost for replacement of the reclaimed water pumps for which the RMCC should have budgeted over the years.

The District, as a public agency, is required to act in a public and transparent manner. In the future, we respectfully request that you bring matters forward such as this in writing in an official capacity so that District leadership and the public are more fully aware of requests made of the District.

Sincerely,



Mark Martin  
General Manager