



RANCHO MURIETA COMMUNITY SERVICES DISTRICT

15160 Jackson Road, Rancho Murieta, CA 95683

Office - 916-354-3700 * Fax - 916-354-2082

FINANCE COMMITTEE

(Directors John Merchant and Tim Maybee)

Special Meeting

October 2, 2020 at 10:00 a.m.

This meeting will be held via ZOOM video conference only pursuant to Gov. Newsom Executive Order N-29-20. You can join the conference by (1) logging on to <https://us02web.zoom.us/j/87313066821>, entering Meeting ID no. 873 1306 6821, and using the audio on your computer, or (2) dialing into 1-669-900-9128 and entering the meeting code 873 1306 6821. Those wishing to join with audio only can simply call the telephone number above and enter the code. Participants wishing to join the call anonymously have the option of dialing *67 from their phone. Please refer to your telephone service provider for specific instructions. **PLEASE NOTE – MOBILE DEVICE USERS MAY NEED TO INSTALL AN APP PRIOR TO USE AND MAC AND PC DESKTOP AND LAPTOP USES WILL REQUIRE YOU TO RUN A ZOOM INSTALLER APPLICATION – PLEASE FOLLOW DIRECTIONS AS PROVIDED BY ZOOM. IT IS RECOMMENDED YOU ATTEMPT TO LOGIN AT LEAST 5 MINUTES BEFORE THE START OF THE MEETING.**

AGENDA

1. Call to Order
2. Comments from the Public
3. Review Monthly Delinquency and Reinstatement of Late Fees and Interest on Delinquent Accounts
4. Rancho Murieta Country Club/Golf Course and Rancho Murieta Properties, LLC Security and Drainage Tax Appeal Letter
5. Security Detailed Budget Review
6. CFD 2014-1 Reserve Drawdown/Bond Payment Detailed History Update
7. Discuss potential reorganization/renegotiation of the 1984 agreement related to the CIA Ditch
8. External Auditor RFP Award

9. Rancho Murieta Property and Security Special Tax Estimates

10. Discuss Security Service Level Survey

11. Directors and Staff Comments/Suggestions

12. Adjournment

"In accordance with California Government Code Section 54957.5, any writing or document that is a public record, relates to an open session agenda item and is distributed less than 24 hours prior to a special meeting, will be made available for public inspection in the District offices during normal business hours. If, however, the document is not distributed until the regular meeting to which it relates, then the document or writing will be made available to the public at the location of the meeting."

In compliance with the Americans with Disabilities Act and Executive Order No. N-29-20, if you are an individual with a disability and you need a disability-related modification or accommodation to participate in this meeting or need assistance to participate in this teleconference meeting, please contact the District Office at 916-354-3700 or awilder@rmcsd.com. Requests must be made as soon as possible.

Note: This agenda is posted pursuant to the provisions of the Government Code commencing at Section 54950. The date of this posting is September 28, 2020. Posting locations are: 1) District Office; 2) Post Office; 3) Rancho Murieta Association; 4) Murieta Village Association.

MEMORANDUM

Date: September 25, 2020
To: Finance Committee
From: Tom Hennig, General Manager
Subject: Late Fees and Interest on Delinquent Accounts

RECOMMENDED ACTIONS

District Finance Staff recommends reinstating late fees and interest on all new delinquent accounts beginning with the November 25, 2020 billing cycle. We are also recommending that we resume charging interest on all outstanding accounts with a past due balance as of the meter read on November 25, 2020.

BACKGROUND

Due to the Covid-19 Pandemic, beginning with the March 25, 2020 billing cycle, the District discontinued water meter shutoffs and charging late fees and interest on delinquent accounts. Currently, the District has 55 delinquent accounts with a current outstanding balance of \$43,363.

- Eight (8) properties that last made a payment in March 2020. (total past due \$10,182)
- Four (4) properties that last made a payment in April 2020. (total past due \$3,909)
- One (1) property that last made a payment in May 2020. (total past due, \$1,001)
- Six (6) properties that last made a payment in June 2020. (total past due \$5,737)
- Eighteen (18) properties that last made a payment in July 2020. (total past due \$11,445)
- Eighteen (18) properties that last made a payment in August 2020. (total past due \$11,089)

At the beginning of the pandemic, the Governor issued an order which prohibited the District from shutting off water service for non-payment. At the time, we also instituted not charging the ten-percent penalties and one-percent interest on delinquent accounts. We are now seven months into the pandemic, and we are starting to see an influx of accounts becoming delinquent. To avoid creating a situation of mounting debt, which eventually may require placing the account balances on the County Tax Roll in August 2021, we recommend the reinstatement of charging the penalties and interest.

SUMMARY

Based on the discussion and possible direction from the Finance Committee, the staff is prepared to present this discussion to the Board for approval at the October 21, 2020 Board meeting.

MEMORANDUM

Date: September 30, 2020
To: Finance Committee
From: Tom Hennig, General Manager
Subject: Rancho Murieta Country Club and Rancho Murieta Properties, LLC Special Tax Appeal

BACKGROUND

On May 20, 2020, the District received a document questioning District billing practices from the Rancho Murieta Country Club and Rancho Murieta Properties, LLC. This document reviewed billing practice history for Security, Water, and Sewer charges for the County Club and Security charges for Rancho Murieta Properties. This document was then discussed at the June 2, 2020, Finance Committee, and the June 17, 2020 Board meeting. At the June Board meeting, the Finance staff was instructed to research the appeal and to work with the requestors to confirm if the request is valid and to determine the possible amount of any verified refunds.

Based on direction from the Board, the District Finance staff researched historical documents interviewed those requesting the funds. They also interviewed the legal counsel who represented the District during the dates related to the appeal request. After compiling the data, we issued a preliminary report of findings to the two requestors for comment and solicited any missing documents or evidence for the validity of the request.

CURRENT SITUATION

The research by the District staff did not provide evidence of any need to refund previously paid water and sewer rates. Additionally, we did not find any evidence of the overpayment of Security Special taxes. After providing the documents and research to the two requesting entities, we did not receive any further information to support their requests. On September 22, 2020, The General Manager issued a formal letter explaining the findings and the District's decision. This letter is included as an attachment to this agenda item.

STAFF RECOMMENDATION

This is an informational item for the Finance Committee. If requested by this committee, the Finance staff are prepared to present the findings at the next Board meeting.



Rancho Murieta Community Services District

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September 22, 2020

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

Mr. John Sullivan, Manager
Rancho Murieta Properties
7200 Lone Pine Drive
Rancho Murieta, CA 95683

Re: District Water/Sewer Charges and Special Taxes

Dear Messrs. Martel and Sullivan:

This letter responds to your correspondence dated May 20, 2020 and Mr. Martel's follow up email dated June 16, 2020.

First, you inquire about the method used by the District in determining the water and sewer base rates. Water and sewer charges are governed by District Code chapter 14, section 7.05, and chapter 15, section 7.03. These provisions set forth the base rates and method of calculation. The code is available at <https://www.rancomurieta.com/district-code>.

Second, you object to the special taxes because the District did not make a tax reduction that was contemplated in the 1998 Rancho Murieta Community Services District Special Tax Analysis Final Report that was prepared for the District by Economic & Planning Systems (EPS). The District acknowledges that the report includes this statement: "Once the FDIC property is taxable, the tax rates on undeveloped residential property would be reduced." (p. 7.) Significantly, though, the report recommendation was never adopted by the District Board. The Board adopted the special taxes through Ordinance Nos. 98-1 and 98-2 (see now District Code chapter 16A and chapter 21, section 5.00). The 1998 EPS report statement about a later reduction in rates concerning the FDIC property is not found in the ordinances or District Code. It was a consultant recommendation that was not adopted. Therefore, the District has no legal obligation to make any reduction pursuant to the 1998 report.

Serving the Community for over 30 years

Board of Directors: Tim Maybee, President • Randy Jenco, Vice-President • John Merchant • Linda Butler • Martin Pohl
General Manager • Tom Hennig



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It is uncertain whether you are objecting to special tax adjustments that the District adopted years ago. To the extent you are, be advised that the statute of limitations to challenge years-old annual adjustments has expired. (See Govt. Code §§ 911.2 & 50077.5(a); Code Civ. Proc. § 338(a).)

For the reasons explained above, the District denies Rancho Murieta Country Club's and Rancho Murieta Properties request for reimbursement.

Sincerely,

Tom Hennig
General Manager

CC:

Tim Maybee
John Merchant
Randy Jenco
Linda Butler
Martin Pohll
Richard Shanahan

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General Manager • Tom Hennig

MEMORANDUM

Date: September 28, 2020
To: Finance Committee
From: Cindy Chao, Controller
Subject: Security Budget Details Report

RECOMMENDED ACTION

Approve the new report format for the Security budget to actual monthly reporting.

BACKGROUND

As requested by the Board, the Finance staff have upgraded the format for reporting Security budget details. In the new report format, columns remain the same as the current monthly budget to actual reporting. In this upgraded format, the Gate, Patrol, and Administration expenditures are separated as independent sections. This format also reports the costs of the District Administrative support in each area. The new format allows the reader to see the actual cost of each section of the Security services because we have added the monthly Admin overhead by section.

The upgrades to this report result from the Finance staff's better understanding of the District's finances and capacity of gathering and disseminating finance information to meet the reporting needs of the Board and the community. This new format will be applied to the other Department reports for the District finances.

**RANCHO MURIETA CSD
SECURITY
For the Two Months Ending Monday, August 31, 2020
FISCAL YEAR 2020 -21**

<u>Description</u>	<u>Period Budget</u>	<u>Period Actual</u>	<u>YTD Budget</u>	<u>YTD Actual</u>	<u>YTD Budget (Over)/Under</u>	<u>Annual Budget</u>
Sales Residential	\$105,975	\$99,765	\$211,949	\$199,543	\$12,406	\$1,271,694
Sales Commercial	17,496	17,953	34,992	35,906	(914)	209,953
Property Tax Allocation						464,612
Interest Income						1,200
Fines/Rule Enforcement	175	175	350	350		2,100
Late Charges	2,000		4,000		4,000	24,000
Title Transfer Fees	450	1,300	900	2,700	(1,800)	5,400
Security Gate Bar Code Income	650	590	1,300	1,360	(60)	7,800
Misc Income	350	346	700	691	9	4,200
TOTAL REVENUE	127,096	120,129	254,191	240,551	13,640	1,990,959

EXPENDITURES

Security - Gate

Salaries & Wages	24,337	21,301	48,555	37,769	10,785	325,042
Employer Costs	9,670	10,273	19,340	10,684	8,656	120,311
Payroll Taxes	1,940	286	3,979	507	3,472	29,860
Other Employer Costs	1,885		3,770		3,770	22,620
Pension Expense	5,175	1,577	10,341	34,227	(23,886)	64,316
Clerical Services	50	3,990	100	7,626	(7,526)	600
Recruitment	175		350		350	2,100
Office Supplies	10		20	136	(116)	120
Telephones	30	165	60	165	(105)	360
Training/Safety	100		200		200	1,200
Uniforms	83		167	299	(132)	1,000
Equipment Repairs	300		600	(310)	910	3,600
Building/Grounds Maint/Pest Cntr	300	332	600	864	(264)	3,600
Bar Codes			2,300		2,300	6,900
Power	662	646	1,326	1,456	(130)	8,567
Information System Maint	1,249	114	2,498	1,313	1,185	14,988
Miscellaneous	604		1,208	(519)	1,727	7,250
Interest Expense	29		58		58	350
Admin Allocation	20,998	15,996	41,996	39,789	2,206	251,975
Subtotal	67,598	54,680	137,467	134,007	3,460	864,759

Security - Patrol

Salaries & Wages	21,461	18,842	43,831	30,266	13,566	292,078
Employer Costs	10,742	7,454	21,484	7,093	14,391	134,400
Payroll Taxes	1,642	204	3,353	364	2,989	24,316
Other Employer Costs	2,260		4,520		4,520	27,120
Pension Expense	4,587	1,450	9,162	34,428	(25,266)	57,187
Tuition Reimbursement						1,500
Clerical Services	50		100		100	600
Recruitment	115		230		230	1,380
Office Supplies	10		20	1,312	(1,292)	120
Telephones	230	474	460	550	(90)	2,760
Training/Safety	100		200		200	1,200

**RANCHO MURIETA CSD
SECURITY
For the Two Months Ending Monday, August 31, 2020
FISCAL YEAR 2020 -21**

<u>Description</u>	<u>Period Budget</u>	<u>Period Actual</u>	<u>YTD Budget</u>	<u>YTD Actual</u>	<u>YTD Budget (Over)/Under</u>	<u>Annual Budget</u>
Uniforms	125		250	(255)	505	1,500
Equipment Repairs	100	250	200	250	(50)	1,200
Building/Grounds Maint/Pest Cntr	350	239	700	658	42	4,200
Vehicle Maint	750		1,500	1,039	461	9,000
Vehicle Fuel	1,300	1,437	2,600	1,488	1,112	15,600
Vehicle Lease	397	138	794	295	498	4,762
Off Duty Sheriff	3,000		3,000	2,563	437	8,000
Information System Maint	289		578	(200)	778	3,466
Miscellaneous				(583)	583	
Interest Expense	33	18	67	18	48	400
Admin Allocation	20,237	15,416	40,474	38,348	2,126	242,845
Subtotal	67,778	45,923	133,522	117,633	15,890	833,633
Security Admin						
Salaries & Wages	6,659	6,966	16,818	16,537	282	90,070
Employer Costs	3,160	2,932	6,320	2,947	3,373	39,726
Payroll Taxes	510	154	1,020	286	734	6,957
Other Employer Costs	740	3,890	1,480	3,890	(2,410)	9,305
Pension Expense	1,364	539	2,728	4,834	(2,106)	16,882
Travel/Meetings						1,000
Office Supplies	500		1,000	149	851	6,000
Telephones	35	132	70	132	(62)	420
Legal	400		800	1,254	(454)	4,800
Training/Safety	100		200		200	1,200
Equipment Maint	250	(601)	500	(601)	1,101	3,000
Consulting		141		280	(280)	25,000
Uniforms	50		100		100	600
Information System Maint	50	50	100	100		600
Miscellaneous	100		200		200	1,200
Admin Allocation	7,151	5,448	14,303	13,551	751	85,817
Subtotal	21,070	19,651	45,639	43,360	2,279	292,577
TOTAL COSTS	156,446	120,253	316,629	294,999	21,629	1,990,970
SURPLUS / (DEFICIT)	(29,350)	(124)	(62,438)	(54,448)	(7,989)	(10)

MEMORANDUM

Date: October 1, 2020

To: Finance Committee

From: Tom Hennig, General Manager

Subject: CFD 2014-1 Reserve Draw-down / Bond Payment Detailed History Update

RECOMMENDED ACTIONS:

To receive update from staff to provide a complete accounting and recommendations at the Finance Committee and Board of Directors in November, 2020.

BACKGROUND:

In 2014, the District conducted proceedings pursuant to the Mello-Roos Community Facilities Act of 1982 to form its Community Facilities District No. 2014-1 (“CFD”), levy special taxes on the CFD lands, and issue and sell bonds secured by the special taxes. The District formed the CFD at the request of the Rancho North Properties and Murietta Inn and Gardens landowners. The CFD and related bonds funded the landowners’ share of the 2014-16 water treatment plant expansion project. These Mello-Roos special taxes are collected through the County tax roll and remitted to the District generally four times throughout the fiscal year in December, January, May and August.

The District recently learned that five CFD 2014-1 parcels/landowners were delinquent in payment of the their special taxes. Remedies were initiated with the parcels/landowners to cure the delinquency, which included issuing a September 2020 demand letter; which was immediately satisfied by the payment of approximately \$851,000 that consisted of special taxes \$689,285, penalties \$161,526 and fees \$1,000.

After identification of the delinquency, District staff, with its Financial Consultant, The Pun Group, LLP, NBS and Wilmington Trust, have been working to provide a complete accounting from the date bonds were issued to current of the special taxes received, shortfall by year, and the amounts remitted to the Trustee and paid to bondholders, including District funds. This accounting is necessary and is consistent with prior recommendations the District received from its Financial Consultant and the external auditor.

The annual debt service payments are as follows:

Payment Date	Balance	Interest Rate	Principal Paid 9/1	Interest Paid 9/1 & 3/1	Annual Total
2014-15	\$ 5,960,000.00	0.0000%	\$0	\$154,030	\$154,030
2015-16	5,960,000.00	0.0000	\$0	\$130,780	\$261,560
2016-17	5,960,000.00	0.0000	\$0	\$130,780	\$261,560
2017-18	5,960,000.00	2.5000	\$130,000	\$130,780	\$391,560
2018-19	5,830,000.00	2.7500	\$130,000	\$129,155	\$388,310
2019-20	5,700,000.00	3.0000	\$135,000	\$127,368	\$389,735
					\$1,846,755

To date, the District has not defaulted on its payments to bondholders. All annual debt service payments have been made. Preliminary amounts show that the payment on the bonds was funded through the appropriate sources from 2014 – 2018. Payments made in 2019 and 2020 appear to have been supported with District funds. Once we have completed our review, we will make the necessary adjustments to the general fund and deposit the required into the Wilmington trust accounts. We have also notified the necessary agencies that the most recent bond payment required use of the Bond Reserve Fund which will be replenished when we transfer funds to Wilmington:

The receipt of the \$851,000 in special taxes in September 2020 will be allocated as follows to satisfy repayment obligations:

- First, to repay the District for amounts loaned, including interest, to the CFD and transferred to Wilmington Trust to make the annual debt service payments due to the shortfall,
- Second, to Wilmington Trust to replenish the bond reserve funds to the required amount of \$391,560 under the bond indenture,
- Third, to the District for the administrative fee assessed and collected for use in administering the CFD, and
- Last, any excess funds from penalties and fees will be placed in the Wilmington Trust under the terms of the bond indenture as required or the District's general fund.

Staff will be providing a complete accounting and recommendations to the Finance Committee and Board of Directors in November, 2020.

MEMORANDUM

Date: September 28, 2020
To: Finance Committee
From: Cindy Chao, Controller
Subject: Audit Services RFP Award

DISCUSSION

In August 2020, staff circulated a Request for Proposals (RFP) for Professional Auditing Services. The District received five (5) proposals. The proposals were evaluated by Accounting staff based on a 95-point scale. The evaluation criteria consisted of the mandatory elements of the proposal, technical qualifications, and cost. The firms were ranked based on the highest number of points assigned for each of the criteria. The result of this review was to recommend awarding this contract to Richardson & Company, LLP. This contract was approved by the Board at the regular Board meeting September 16, 2020. To expedite the process, the Finance Committee approved making the recommendation directly to the Board. This memo is provided to allow the Finance Committee the opportunity to discuss the award results. Richardson & Company's response to the RFP is attached

The independent auditor plays an important role in testing and evaluating the District's system of internal controls and overall financial management for signs of strength and weakness and reporting the results. They can also serve as a valuable resource as government financial reporting continues to evolve and governmental financial management becomes more complex and legally constrained. While the fee charged for auditing service is clearly an important concern, it is neither required nor desirable that it be the only factor considered in the evaluation of a professional services contract. Relevant experience, creative approaches to the auditing process, technical knowledge and the communication skills to share it with their clients become even more important criteria when viewed in this larger perspective.

Based on an evaluation of the proposals, information gathered during the interviews, and reference calls with other agencies, staff concluded that Richardson and Company is the best choice to provide auditing services to the District.

Richardson and Company has extensive experience in providing auditing, accounting, and consulting services in the governmental sector. Their team members know and understand the challenges and opportunities confronting governmental entities and their team consists of professionals who have proven their ability to provide auditing and consulting services to water districts and utilities. Serving this industry with its unique reporting requirements has developed into one of their areas of expertise.

The firm is located in Sacramento and has extensive experience with performing audits of Special Districts, and most of the cities in the greater Sacramento area. The proposed team that will be assigned to the District includes Ingrid M. Shepline, CPA, who is currently serving or has served most of the governmental entities, including most of the water districts referenced in their response to the Districts' RFP. Ingrid has attended and/or taught numerous governmental finance education seminars.

FISCAL IMPACT

The proposed agreement with Richardson and Company is for \$24,100 for Fiscal Year 2019-20; \$24,550 for Fiscal Year 2020-21; \$25,100 for Fiscal Year 2021-22.

TECHNICAL PROPOSAL TO PERFORM AUDIT SERVICES FOR



Rancho Murieta CSD
Community Services District

FOR THE YEARS ENDED
JUNE 30, 2020 THROUGH 2022
(WITH THE OPTION TO EXTEND TO 2023 AND 2024)

Contact Person:

Ingrid Shepline or Brian Nash

isheipline@richardsoncpas.com

bnash@richardsoncpas.com



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Sacramento, California 95825
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August 26, 2020

Rancho Murieta Community Services District

Tom Hennig, General Manger
P.O. Box 1050
Rancho Murieta, CA 95683

Thank you for your interest in our firm and the opportunity to present our proposal to serve the **Rancho Murieta Community Services District** (the District). We are genuinely enthusiastic about the prospect of serving as your auditors. Auditing special districts, especially those with water and other utility operations, has developed into one of our firm's major areas of expertise. If given the opportunity, you can be sure we would serve the District with great care and pride.

Our Understanding of the Services to be Performed

We will audit and express an opinion on the fair presentation of the District's financial statements in conformity with U.S. generally accepted accounting principles for the years ending June 30, 2020 through 2022, with the option to extend two additional years. The audits will be conducted in accordance with U.S. generally accepted auditing standards, the standards set forth for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States as revised, and the State Controller's Minimum Audit Requirements for California Special Districts. In conjunction with our audit, we will also issue a report on internal controls and compliance, a management report and auditor's communication letter.

Our Commitment to Perform Timely Services

We have a reputation for meeting our client's deadlines. You have indicated that our final reports for the audits shall be available by January 31. To ensure meeting these reporting deadlines, we will begin our preliminary planning and provide a list of schedules as soon as we are hired this year and in the July/August timeframe in subsequent years. We will plan to commence year-end fieldwork in early November, or at such time as the books have been closed and all documents and analyses have been completed. We will ensure final copies of the audit reports are available no later than the end of January. We will provide the District with the priority and timely service it deserves.

Independent Accountants with Proven Expertise Serving Water Districts and Other Governmental Entities

In any service organization, it is the people who make the difference. Our team members know and understand the challenges and opportunities confronting governmental entities and our team consists of professionals who have proven their ability to provide auditing and consulting services to water districts and utilities. Serving this industry with its unique reporting requirements has developed into one of our firm's areas of expertise. For these reasons, we

believe we are best qualified to perform the audit of the District. Included in the list of governmental entities we have served in the water and utility industry are Sacramento Suburban Water District, Fair Oaks Water District, San Juan Water District, Carmichael Water District, Citrus Heights Water District, Del Paso Manor Water District, Glenn-Colusa Irrigation District, El Dorado Irrigation District, Tuolumne Utilities District, Calaveras County Water District, Yuba County Water Agency, South Feather Water and Power Agency, Yolo County Flood Control and Water Conservation District, Nevada Irrigation District, Reclamation District 2035, Reclamation District 1000, Merced Irrigation District, San Luis & Delta-Mendota Water Authority, Tri-Dam Project and Power Authority, Oakdale Irrigation District, South San Joaquin Irrigation District, Florin Resource Conservation District, Yolo Subbasin Groundwater Agency, Rio Linda/Elverta Community Water District, American River Flood Control District and South Yuba Water District, among other water-related entities. We have also audited cities that have water, sewer, solid waste and drainage operations, including the Cities of American Canyon, Sonoma, Ione, Sutter Creek, Colfax, Lincoln, Chico, Dixon, West Sacramento, Rocklin, Folsom and Marysville.

We have audited the California Department of Water Resources on behalf of a large Southern California water agency for the past forty years, including twelve years while key personnel in our firm were with Ernst & Young. The agency is a consortium of twenty-six cities and water districts serving nearly nineteen million people in the Los Angeles and San Diego areas. It is the largest water district in the world. This large, complex audit of the multi-billion dollar State Water Project managed by the California Department of Water Resources is on a scale and nature as to rarely be performed by other than “Big Four” firms.

We also have extensive experience with performing audits of other special districts, and most of the cities in the greater Sacramento area. A list of these clients is included in this proposal. We have extensive experience with Single Audit Act procedures and reports, preparation of State Controller’s Reports, pension and OPEB entries and disclosures, letters to underwriters and preparation and review of Comprehensive Annual Financial Reports for compliance with the GFOA’s preparers checklist in order to receive the Certificate of Achievement for Excellence in Financial Reporting. Providing these services for these entities makes us exceptionally well qualified to provide the services you currently request and to provide you with these additional services should you request them in the future.

In addition to demonstrating that we have the technical expertise needed to serve the District, we have also demonstrated that we have the engagement management skills and local staffing resources sufficient to ensure that the District’s reporting deadlines are met. We have planned, scheduled and conducted our audits of the governmental entities we serve in an efficient and effective manner in order to meet reporting deadlines. From time to time our clients may need to contact us to ask questions or discuss accounting issues and other matters. We are available through the year to answer questions and encourage our clients to ask questions as the issues surface. We are timely and responsive to our clients’ questions and requests for information. We have established a reputation with our clients for quality service, timeliness and professionalism. Accordingly, we have included some of these entities as references in this proposal and we encourage you to contact them.

Why We are Best Qualified

Richardson & Company, LLP is the best qualified to perform the auditing services required by the District for the following reasons:

- We have extensive history in providing high-quality audits to water and utility districts and other governmental agencies, as previously discussed.

- Our firm uses more experienced staff to actually perform the work than is typical of larger and other firms. If our firm is selected, we plan to have the senior manager and the Partner present during fieldwork. While larger and other firms may be able to demonstrate significant amounts of experience in the areas of expertise needed to provide the services you require, the specific individuals they actually assign to your engagement may not have the specific experience you need like the team of accountants we will assign to your engagement. The use of more experienced staff will also ensure you will receive quality services. Also, smaller firms do not have our large government experience, which is essential to address unusual and complicated transactions.
- We have a thorough audit approach that focuses on substantive testing of the District's accounts. Some firms provide lower cost audits by performing mostly analytical review procedures and the evaluation of internal controls instead of performing substantive testing of account balances. Our thorough approach ensures material misstatements and noncompliance with policies are detected, which should provide a level of comfort to management and the Board of Directors.

* * * * *

Once again, we would like to thank you for the opportunity to discuss our services, present our qualifications, and submit our proposal to serve as independent auditors for the District. We are genuinely enthusiastic over the prospect of serving you and sincerely believe that we have the people, experience, resources and reputation to assure you of outstanding services. For the preceding reasons and many others as outlined in this proposal, we genuinely believe that your selection of our firm as the District's independent accountants is the best decision that the District could make.

The pro forma contract included in the Request for Proposal is acceptable to us. If you have questions or need additional information, please contact Brian Nash or me at (916) 564-8727, fax (916) 564-8728, correspondence at 550 Howe Avenue, Suite 210, Sacramento, California 95825 or email sent to bnash@richardsoncpas.com or isheipline@richardsoncpas.com.

Very truly yours,

RICHARDSON & COMPANY, LLP



Ingrid Sheipline, CPA
Managing Partner

RICHARDSON & COMPANY, LLP PROFILE

Independence

The firm is independent of the District and all component units as defined by generally accepted auditing standards, and U.S. General Accounting Office's *Government Auditing Standards* and Minimum Audit Requirements and Reporting Guidelines in Special Districts as required by the State Controller's Office. The firm has no conflict of interest related to the District.

License to Practice in California

Richardson & Company, LLP and all assigned key professional staff are properly licensed to practice in the State of California, and are in good standing with the Board of Accountancy.

Insurance

We maintain professional liability, worker's compensation, commercial general liability and bodily injury, automobile liability and property damage insurance coverage with at least at the levels required by the District and in some cases higher. We will maintain the minimum insurance requirements during the entire time of the engagement.

Firm Qualifications and Experience

Richardson & Company, LLP (successor to Richardson & Company) is a regional CPA firm established in 1991 and located in Sacramento. We have a total staff of twenty-six, including thirteen CPAs. Our governmental audit staff totals twenty-two, all of which are located in Sacramento. We plan to have a partner, senior manager, senior and one staff assigned to your audit on a full-time basis. Richardson & Company, LLP is a certified Micro-Small Business Enterprise by the California Department of General Services and a certified Disadvantage Business Enterprise and Woman-owned Business Enterprise by CalTrans. We provide audit, accounting, tax and business advisory services to governmental entities (water districts, cities, regional transportation planning agencies, special districts and joint powers authorities), nonprofit organizations, financial institutions and bank holding companies, real estate partnerships, a magazine circulation audit and others primarily located in northern California and Oregon, including the largest water district in the world located in Los Angeles. We perform Single Audit Act and grant compliance audits for both nonprofits and governmental entities. We perform audits of special districts in accordance with Minimum Audit Requirements and Reporting Guidelines for Special Districts as required by the State Controller's Office, and *Government Auditing Standards* as issued by the Comptroller General of the United States. We provide tax services to our audit clients requiring those services.

Since leaving the international CPA firm of Ernst & Young LLP, Joe Richardson (deceased), the founder of Richardson & Company, Ingrid Shepline, Brian Nash and their team have built a practice oriented toward providing services equal in caliber to those provided by firms operating on a national level. We believe we have the expertise in the governmental field to ensure high-quality service.

The following is a list of governmental and governmental-affiliated entities we are currently serving or have served:

Water/Utility Agencies

- Sacramento Suburban Water District
- San Juan Water District

- Fair Oaks Water District
- Carmichael Water District
- Del Paso Manor Water District
- Citrus Heights Water District
- Amador Water Agency
- American River Flood Control District
- Glenn-Colusa Irrigation District
- El Dorado Irrigation District
- Tuolumne Utilities District
- Calaveras County Water District
- Reclamation District 2035
- Reclamation District 1000
- South Feather Water and Power Agency
- Yolo County Flood Control and Water Conservation District
- Nevada Irrigation District
- Yuba County Water Agency
- Merced Irrigation District
- San Luis & Delta-Mendota Water Authority
- San Joaquin Valley Drainage Authority
- Tri-Dam Project and Power Authority
- Oakdale Irrigation District
- South San Joaquin Irrigation District
- Florin Resource Conservation District aka Elk Grove Water Service
- Yolo Subbasin Groundwater Agency
- Rio Linda/Elverta Community Water District
- South Yuba Water District
- State Water Project Contractors Authority
- Regional Water Authority
- Sacramento Groundwater Authority
- Solano County Water Agency
- South Sutter Water District
- San Joaquin Valley Drainage Authority
- Delta Conveyance Finance Authority
- Mission Springs Water District

Non-profits in Water Industry

- California Urban Water Agencies
- California Water Association
- Central Valley Clean Water Association

Other Governmental Agencies

- Cities of West Sacramento, Elk Grove, Chico, Lincoln, Colfax, Citrus Heights, American Canyon, Sutter Creek, Sonoma, Rocklin, Marysville, Ione, Dixon, Folsom, Rancho Cordova, Colusa and Biggs
- California Pollution Control Financing Authority
- Auburn Area Recreation and Park District
- Fair Oaks Recreation and Park District
- California Tahoe Emergency Services Authority
- Sacramento Metropolitan Fire District

- Sacramento Area Council of Governments
- Sacramento Transportation Authority
- Sacramento Public Library Authority
- Sacramento Regional Fire/EMS Communications Center
- Sacramento Metropolitan Cable Television Commission
- Stanislaus Consolidated Fire Protection District
- El Dorado County Transportation Commission
- El Dorado County Transit Authority
- El Dorado County Emergency Services Authority
- El Dorado Hills Fire Department
- Yolo Emergency Communications Agency
- Amador County Transportation Commission
- Amador Transit
- Lassen County Transportation Commission
- Lassen Transit Services Agency
- Butte County Association of Governments
- Yolo-Solano Air Quality Management District
- Mountain House Community Services District
- Calaveras Council of Governments
- Yuba-Sutter Transit Authority
- Yolo County Transportation District
- Paratransit, Inc.
- Placer County Transportation Planning Agency
- Regional Waste Management Authority
- Cosumnes Community Services District
- Sacramento Valley Basinwide Air Quality Control Council
- Yolo County Local Agency Formation Commission
- San Joaquin Council of Governments
- Sacramento County Waste Management and Recycling
- Wilton, Herald, Courtland and Pacific Fruitridge Fire Protection Districts
- Transport System of the University of California at Davis (Unitrans)
- Local Transportation Funds of the Counties of Sacramento, Sutter, Yolo and Yuba
- Sacramento County State Transit Assistance Fund
- Counties of Sacramento, Sutter, Yolo and Yuba Transportation Development Act Funds
- Cities of Folsom, Galt, Isleton, Sacramento, Davis, Live Oak, Rancho Cordova, Yuba City, Marysville, Wheatland, West Sacramento, Winters and Woodland Transportation Development Act Funds
- County of Calaveras Transit Fund
- City of Angels and County of Calaveras Transportation Development Act Funds
- El Dorado County and City of Placerville Transportation Development Act Fund
- El Dorado County Local Transportation and State Transit Assistance Funds
- County of Butte and Cities of Oroville, Chico, Gridley, Biggs and Paradise Transportation Development Act Funds
- Marin County Transit District
- Cities of Escalon, Lodi, Manteca, Lathrop, Ripon and Tracy and County of San Joaquin Transportation Development Act Funds
- San Joaquin County Local Transportation Fund and State Transit Assistance Fund
- San Joaquin Regional Transit District
- Cities of Manteca, Lathrop, Tracy, Lodi and Ripon Transit Systems

- The Alpha Fund (a joint powers authority and workers compensation risk pool primarily for rural hospitals) an affiliate of the Association of California Healthcare Districts, Inc.
- Funds and accounts of the California Department of Water Resources on behalf of the Metropolitan Water District of Southern California, including special analyses and projects related to its contract with the State

The services we provide to the clients above and other clients prove that we have the ability to provide the services that the District requires. Examples of these services include the following:

- We conduct the audits of the general purpose financial statements of numerous special districts, including water and other utility districts, as well as several cities, some of which have water operations and other enterprise funds similar to those of the District. Our experience performing these audits of general and special purpose governmental financial statements has made us thoroughly familiar with the application of generally accepted governmental accounting principles, including GASB 34 requirements. We also have extensive experience with pension and OPEB accounting, including preparing pension allocation calculations and assistance with journal entries to record pension and OPEB balances in compliance with GASB 68 and 75.
- The past several years we have provided the Cities of West Sacramento, American Canyon, Rancho Cordova, Dixon, Chico, Citrus Heights, Elk Grove and Folsom and the Cosumnes Community Services District, Fair Oaks Water District, San Juan Water District, Oakdale Irrigation District, El Dorado Irrigation District, Marin County Transit District, Florin Resource Conservation District and San Joaquin Council of Governments with extensive assistance in the preparation of their Comprehensive Annual Financial Report (CAFR), including the first CAFR the City of Rancho Cordova, Cosumnes Community Services District, Sacramento Metropolitan Fire District, Florin Resource Conservation District and San Joaquin Council of Governments had ever prepared. The CAFRs for all of these agencies have received the Government Finance Officers Association's Certificate of Achievement for the years we have assisted them.
- We have provided federal compliance auditing services to numerous entities, including the Sacramento Suburban Water District, Tuolumne Utilities District, Yuba County Water Agency, South Feather Water and Power Agency, South San Joaquin Irrigation District, El Dorado Irrigation District, Calaveras County Water District, Rio Linda/Elverta Community Water District, Yuba County Water Agency, Cities of Chico, Colfax, Lincoln, Elk Grove, West Sacramento, Citrus Heights, Marysville, Sutter Creek, Colusa, Amador Transit, Butte County Association of Governments, Yolo County Transportation District, El Dorado County Transit Authority, Courtland Fire Protection District, Yuba-Sutter Transit Authority, the Transport System of the University of Davis, Paratransit and to several nonprofit organizations receiving federal grants that must also comply with *Government Auditing Standards*, which are the same standards that apply to the District, and the Single Audit Act.

In addition, Ingrid Shepline has gained an extensive amount of governmental accounting and auditing experience in her previous position with Ernst & Young LLP, including the following:

- Provided auditing services to numerous state and local government units that face the same unique governmental accounting and auditing aspects as the District such as accounting for bonds and related refundings, extensive reporting requirements, basis of accounting, and budgetary and other legal compliance requirements. These entities include the California Department of Water Resources Enterprise Fund, Sacramento County, Solano County Private Industry Council, City of Woodland, City of Lodi and

California Housing Finance Agency. The audits of Sacramento County and City of Woodland also involved the preparation of award winning CAFRs.

- Established an audit approach for testing for compliance with federal, state and local grant requirements, including application of the Single Audit Act, for Sacramento County, City of Lodi and California Housing Finance Agency.

In addition, our firm and its key members presently provide or have provided auditing and consulting services to the following water districts and agencies:

- **Various Water Agencies (listed on pages 4 and 5)**

We prepared the general purpose financial statements or CAFR and performed the annual audits of these Districts in accordance with generally accepted accounting standards and *Government Auditing Standards*. We also prepared the State Controller's Report for a number of these agencies. We have assisted Oakdale Irrigation District, Florin Resource Conservation District, Sacramento Suburban Water District, Fair Oaks Water District, South San Joaquin Irrigation District, San Juan Water District and El Dorado Irrigation District with the preparation of their CAFR.

- **Large Southern California Water Agency**

We perform the ongoing audit of the cost accounting records of the State Water Project on behalf of one of the world's largest water agencies, including completion of numerous special projects, reviewing the Department of Water Resources budget and representing the agency at meetings with Department of Water Resources personnel.

- **Department of Water Resources - State Water Resources Development System**

Conducted the financial audit of the State Water Resources Development System enterprise fund and provided other services associated with bond offerings and refundings, including letters to underwriters.

- **Central Valley Project Water Association (CVPWA)**

CVPWA is an association of approximately 250 water users receiving water from the Central Valley Project. The Central Valley Project is maintained and operated by the U.S. Bureau of Reclamation. We have performed audits of the Bureau's cost accounting records of the Central Valley Project on behalf of CVPWA, including the completion of numerous special projects. The Bureau uses the FERC chart of accounts.

- **Department of Water Resources - Reid Gardner Power Plant and Pine Flat Power Sales Contract**

Examination of the costs associated with the Department's Participation Agreement with Nevada Power Company for the construction and operation of Reid Gardner Unit No. 4 and the costs associated with the Pine Flat Power Sales Contract between the Department and Kings River Conservation District.

- **Santa Clara Valley Water District, East Bay Municipal Utility District, Contra Costa Water Agency, Westlands Water District and Other Federal Water Users**

Performed several special auditing and consulting projects for these districts related to their contracts with the U.S. Bureau of Reclamation for delivery of water from the Central Valley Project.

Quality Control and Peer Review: We are a member of the Center for Audit Quality of the American Institute of Certified Public Accountants (AICPA) and participate in the California Society of CPA's Peer Review Program. We are registered with the Public Company

Accounting Oversight Board (PCAOB) created by the Sarbanes-Oxley Act to inspect firms that audit SEC registrants. Membership in the Center for Audit Quality is voluntary and all firms that join agree to adhere to published quality control standards and submit to peer reviews and inspections of their practice every three years. We have passed all nine of our peer reviews with a “clean opinion” and all three PCAOB inspections. The nine peer reviews cover the entire twenty-nine year period our firm has been in existence. Our latest peer review is attached to this proposal. All of our peer reviews have included government engagements.

The quality control policies for our auditing practice are described in detail in our firm’s Quality Control Document. All employees and members of our firm are provided with a copy of our Quality Control Document and are responsible for understanding, implementing and adhering to these policies and procedures. Our policies and procedures cover each of the following six elements of quality control: 1) Leadership, 2) Relevant Ethical Requirements, 3) Acceptance and Continuance of Clients and Engagements, 4) Human Resources, 5) Engagement Performance and 6) Monitoring. The adequacy of our quality control system and our compliance with that system are independently evaluated every three years through a peer review.

We also demonstrate our commitment to providing quality service in many other ways, including:

- Organizing, staffing, and managing engagements to provide for appropriate levels of technical competence, experience, supervision and review.
- Undertaking quality control reviews of selected engagements to assure compliance with professional standards.
- Recognizing our obligation to the public as well as to our clients.
- Conducting engagements in accordance with clients whose concern for reputation and integrity is similar to our own.
- Promoting the growth of our firm primarily by referrals from existing clients satisfied with the quality of our services.

In addition to excellent peer review and inspection results, other examples of our commitment to quality include:

- Assisting numerous governmental entities with receiving the Certificate of Excellence in Financial Reporting awarded by the Government Finance Officers Association, including several that received the award on the first attempt.
- Engaging a nationally recognized accounting consultant who has authored several accounting and reporting manuals, including those dealing with SEC matters, as technical support for our firm in addition to the support customarily available through the American Institute and California Society of CPAs.
- Engaging a partner and Director of Audit and Banking Practices for a large midwestern firm to serve as the concurring reviewer for our SEC registrant bank as well as providing consultation with respect to audit and accounting issues for other clients. He has extensive experience auditing banks and public companies as result of more than twenty years with Ernst & Young, KPMG and his current firm.
- Auditing the California Department of Water Resources on behalf of a large Southern California water agency for the past thirty years, including twelve years while key personnel in our firm were with Ernst & Young. The agency is a consortium of twenty-six cities and water districts serving nearly nineteen million people in the Los Angeles

and San Diego areas. It is the largest water district in the world. This large, complex audit of the multi-billion-dollar State Water Project managed by the California Department of Water Resources is on a scale and nature as to rarely be performed by other than “Big Four” international CPA firms.

- Performing several special investigative audits for governmental special districts that have received extensive statewide news media attention. Being selected several times to conduct this special audit work demonstrates that our firm has the resources and expertise to successfully complete difficult, unusual auditing projects in a timely manner. Our investigations discovered several problems and our audit results were made public by the districts involved. The FBI, IRS and district attorney’s office subpoenaed our workpapers to assist them with their investigations. We have testified in federal court and given depositions related to this work which, in certain cases, resulted in managers and assistants serving federal prison sentences.
- Preparing audited financial statements and other information for inclusion in several public offering documents reviewed by the SEC and other CPA firms, including Big Four firms, with minimal insignificant changes.
- Preparing audited financial statements reviewed by the State Board of Accountancy without change.

Federal/State Reviews/Disciplinary Actions: Our firm has not been the subject of any federal or state desk or field reviews of its audits during the past three years or ever. The firm is not currently or has not previously been the subject of any disciplinary actions.

QUALIFICATIONS OF OUR KEY PERSONNEL

We have the personnel with the necessary professional qualifications and technical ability to provide you with the quality service you are looking for. As you can see from the resumes of our key personnel, we have developed the proficiency in the accounting principles and standards and governmental and grant compliance auditing to ensure you will receive quality work. Our firm philosophy centers around our commitment to the highest level of quality service--delivered by quality people. We have a history of providing technical excellence through teamwork responsive to clients' needs and expectations. Our commitment to quality results in satisfying the needs of our clients by providing value-added services and attracting and retaining clients of the highest caliber.

Our key audit executives will participate heavily in the audit of the District. This assures the District will receive a quality audit managed and executed on-site by seasoned professionals, knowledgeable of the government and specifically the water and other utility industry. We believe the quality of our services exceeds that of national and other firms because our audit team uses more experienced professionals to actually perform the work. National and other firms typically rely heavily on senior and staff accountants to perform audit fieldwork with minimal on-site direction from partners or managers. Smaller firms do not have our large client experience, which is essential to address unusual and complicated transactions.

The following resumes outline the qualifications and experience of our key team members. All of the senior-level staff assigned to this engagement have CPA licenses, are authorized to practice in California and are in good standing with the Board of Accountancy.

Ingrid M. Shepline, CPA (Managing Partner and Audit Partner)

Ingrid serves as our Managing Partner and would be the District's audit partner. She would have overall responsibility for planning, directing and coordinating our services for you. Since significant and timely partner involvement is a cornerstone of our quality control procedures, she will be involved in all phases of our audit work from initial planning through report preparation. Formerly an audit manager with Ernst & Young LLP, she is a Certified Public Accountant with over thirty years of experience. Ingrid has supervised and conducted the fieldwork for a variety of clients including governmental entities, nonprofit organizations, utilities, banks, insurance agencies, manufacturers and distributors. While with Ernst & Young LLP, she specialized in governmental entities and grant compliance auditing, and has attended or taught numerous governmental education seminars. She is currently serving or has served almost all of the previously mentioned governmental entities, including most of the water districts, such as Sacramento Suburban Water District, Carmichael Water District, San Juan Water District, Fair Oaks Water District, Citrus Heights Water District, Del Paso Manor Water District, Amador Water Agency, Glenn-Colusa Irrigation District, Tuolumne Utilities District, El Dorado Irrigation District, South Feather Water and Power Agency, Reclamation District 2035, Reclamation District 1000, American River Flood Control District, Citrus Heights Water District, Solano County Water Agency, Regional Water Authority, Sacramento Groundwater Authority, Merced Irrigation District, Nevada Irrigation District, Rio Linda/Elverta Community Water District, Delta Conveyance Water Authority and South Yuba Water District. She has also audited a number of cities with water, sewer, solid waste and drainage operations and proprietary funds. She has audited most of the government agencies listed on the previous pages, including cities and other special districts.

Ingrid has a Bachelor of Science degree in accounting with honors from California State University, Sacramento. She is a member of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants, having served on the Board of Directors of the Society's Sacramento Chapter and as a member of the Government and Nonprofit Committee.

Brian Nash, CPA (Partner and Concurring Reviewer)

Brian is a partner with our firm and would serve as a second, additional or concurring reviewer, if needed. He has twenty-seven years of professional accounting and auditing experience and has provided services to a variety of clients, including most of the government entities, nonprofits, banks, water agencies and other entities described in the preceding sections of this proposal. He has served a number of the water districts, including Sacramento Suburban Water District, Calaveras County Water District, Florin Resource Conservation District/Elk Grove Water District, El Dorado Irrigation District, Oakdale Irrigation District, San Juan Water District, South San Joaquin Irrigation District, Tri-Dam Project and Power Authority, Yuba County Water Agency, San Luis Delta-Mendota Water Authority, San Joaquin Valley Drainage Authority, Yolo County Flood Control and Water Conservation District, South Feather Water and Power Agency, Mission Springs Water District, Merced Irrigation District, Yolo Subbasin Groundwater Agency, Solano County Water Agency and South Yuba Water District and numerous other governmental agencies, including the cities of West Sacramento, Folsom, Citrus Heights and Elk Grove and other special districts. Brian received a Bachelor of Science degree in accounting with honors from California State University, Sacramento. He is a member of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants.

Doug Kuramoto, CPA (Senior Audit Manager)

Doug, a senior audit manager with our firm, will organize, conduct, review and evaluate field work of certain claimants and will be responsible for the planning and report preparation and review under the direction of Brian and Ingrid. He has fourteen years of professional accounting and government auditing experience and has served a number of governmental agencies, including the City of American Canyon, Sacramento Suburban Water District, Tuolumne Utilities District, South Feather Water and Power Agency, South San Joaquin Irrigation District American River Flood Control District, Sacramento Regional Fire/EMS Communications Center and Yuba-Sutter Transit Authority, among other government agencies. Doug received a Bachelor of Arts degree in Business Economics from University of California, Santa Barbara. In addition, Doug received a Bachelor of Science and Doctorate of Philosophy in chemistry from University of California, Berkeley and Stanford University, respectively. He is a member of the American Institute of Certified Public Accountants.

Heidi McLucas, CPA (Senior Audit Manager)

Heidi McLucas is a manager with our firm and will work closely with Ingrid and Doug in planning, conducting fieldwork and workpaper review. She has conducted fieldwork and assisted with supervising the staff in the performance of water agency audits for the past eight years. She would work on-site for the entire duration of the fieldwork. Heidi has fifteen years of experience with our firm and a total of twenty-nine years of accounting experience, including five years as the manager in charge of an H&R block office. She has provided services to a variety of clients, including a number of governmental entities, water agencies, nonprofits, banks and other entities described in the preceding sections of this proposal. She has previously served on the audits of Sacramento Suburban Water District, Citrus Heights Water District, Carmichael

Water District, Del Paso Manor Water District, Amador Water Agency, Nevada Irrigation District, Rio Linda/Elverta Community Water District, South Feather Water and Power Agency and South Yuba Water District, among other governmental agencies. She has audited a number of cities that have proprietary funds such as the cities of West Sacramento, Marysville and Colfax. Heidi received a Bachelor of Arts degree from Simpson College.

Other Staff

We would assign senior and staff accountants to the engagement with experience working on governmental audits since everyone in our firm is required to work on a portion of our previously mentioned audits. Thirteen out of our twenty-two professional staff are CPAs.

Our Commitment to Staffing Continuity

Richardson & Company, LLP has proven its ability to attract and retain an excellent professional staff to serve our clients and meet our commitments. We currently have twenty-two professional staff, including thirteen CPAs, and four administrative staff. In addition, while national and other firms have high staff turnover rates, which makes it difficult to provide staffing continuity from year to year, our firm has experienced a very low turnover rate. Accordingly, we commit to maintaining a staffing level sufficient in size and experience to successfully complete the audit each year. We consider staffing to be of the utmost importance because of its significant impact on our ability to provide you with outstanding service. We have consistently demonstrated our firm's ability to recruit, train and maintain a quality staff as evidenced by our excellent peer review results for the past twenty-nine years and our ability to consistently attract and serve quality clients.

If selected as your auditors, Ingrid Shepline would have overall responsibility for our services for you. Ingrid would spend a substantial amount of time on site during the audit and will assist with the resolution of any issues. Ingrid would work closely with Doug and Heidi to ensure they have all the resources necessary to provide the District with excellent service. Ingrid Shepline has been with the firm since its inception twenty-nine years ago.

The engagement manager would be Doug, who has been with our firm for fourteen years. Heidi would work on site as the in-charge accountant during the duration of the audit fieldwork. While we would have other auditors assigned to the engagement with less experience, they will always be supervised by Ingrid, Doug or Heidi.

We will strive to maintain continuity of staff as long as the individuals are employed by the firm but should there be a need to replace a key staff member, the District will have the right to approve or reject the replacement. Changes to other audit personnel will be with individuals with substantially the same or better qualifications or experience. We can ensure quality audit services even if there is staff turnover because we have senior level staff work on-site for the duration of the audit, providing assistance and supervision to junior staff. The District would be a priority client of the firm and we would ensure we provide the District with experienced staff members in all aspects of the audit, including on-site fieldwork.

Education

Our firm regularly attends courses on government accounting and auditing issues and grant compliance auditing and is represented at the California Society of CPA's Sacramento Chapter of the Government Committee to stay abreast of current issues affecting the government industry. Consistent with *Government Auditing Standards*, each of our auditors that are responsible for planning, directing, conducting or reporting on any of our government-related

audits completes 80 hours of continuing education and training every two years, including subjects directly related to the government environment and to grant compliance auditing. All personnel that will be assigned to your engagement team have attended governmental training programs. Our governmental training program consists of governmental courses offered by professional societies as well as subscription to a video training service that includes significant issues relating to governmental accounting standards and grant compliance presented by top government experts from throughout the country. We also provide internally developed classes addressing current accounting and auditing issues pertinent to our clients. Topics of these courses attended by each of the staff above over the past three years have included the following:

Annual Governmental Accounting and Auditing Conference	Communicating Internal Control in Government Audits
Annual Governmental GAAP Update	GASB, New Standards
Annual Government Audit Quality Center Update	The Accounting Controls Guidebook Auditing Standards Update
Government Auditing Standards	Government Audits: From Improper Payment to Change Agent
Audit Risk Assessment Standards	How the New “Risk-Based” Audits Will Affect You
New Guidance: From Derivatives to OPEB	Pension Obligations: Improving Accounting and Financial Reporting
Detecting Accounting Fraud	GASB: Continued Progress, Continued Issues
Fraud Update	Scouting the Landscape of California Government Finance Today
The Reporting Model – Revisiting GASB 34	OPEB and New Accounting Standards GASB 75
Government Accounting	GASB Update 2018
Internal Control and Fraud Detection	AICPA Update 2018
Overview of GASB Proposals for Financial Statement Users	Leasing Standards (GASB 87) and Fiduciary Activities (GASB 84)
Where’s GASB Headed with the Financial Reporting Model Project?	2019 Yellow Book and Single Audit Update
Employee Fraud	What the State Auditor Does
Single Audit: Where’s It Going	Understanding the Changes to Yellow Book Independence
2018 Yellow Book: What You Need to Know	Risk Assessment Considerations in a State and Local Government Financial Statement
Government Auditing Standards and Single Audit Issues	Considering and Documenting Nonaudit Services Under 2018 Yellow Book
GASB Update 2019	Lease Accounting: Putting It on the Balance Sheet
New Financial Reporting Model	How the New Ethics Code Will Affect Your Standards
Single Audit Lightning Round	Time for a New Approach to Revenue and Expense Recognition
Accounting Issues During the Pandemic	Debt Disclosures: Taking a New Approach
2020 State and Local Government Audit Planning Consideration	What You Can Do to Enhance Accounting and Auditing Quality
Changes in the Author’s Report: What Do They Mean	GASB Implementation Guides for Fiduciary Activities and Leases
Going Beyond Financial Statements in Providing Information	
New Accounting Standards: Your Guide to Implementation	
Behavioral Clues Occupational Fraud: Know Red Flags	
Update on Accounting Issues: FASB, SEC and PCAOB	
Simplification and Overall Audit Objectives	

SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENTAL ENTITIES

We have emphasized throughout our proposal that Richardson & Company, LLP provides quality service. Please feel free to contact any of these clients to confirm our ability to provide the type of services you are seeking. The following are the most significant engagements performed in the last three years that are like the engagement described in the request for proposal.

Name of referenced entity: Calaveras County Water District
Name and client contact and title: Rebecca Callen, Director of Administrative Services
Address and phone number: 120 Toma Court
P.O. Box 846
San Andreas, CA 95249
(209) 754-3102
Email address: rebeccac@ccwd.org
Services performed: Audit of and preparation of the financial statements under GASB 34 in accordance with generally accepted auditing standards, and *Government Auditing Standards* for the years ended June 30, 2016 through 2019 (2020 audit currently in process).
Engagement Partner: Brian Nash
Hours: 600 hours per year

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Name of referenced entity: Tuolumne Utilities District
Name of client contact and title: Steve Sheffield, CPA, Finance Director
Address and phone number: 18885 Nugget Blvd.
Sonora, California 95370
(209) 532-5536 ext. 482
Email address: s.sheffield@tudwater.org
Services performed: Audit of the financials in accordance with generally accepted auditing standards, and *Governmental Auditing Standards* for the years ended June 30, 2013 through 2019 (2020 audit currently in process).
Engagement Partner: Ingrid Sheipline
Hours: 520 hours per year

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Name of referenced entity: Sacramento Suburban Water District
Name of client contact and title: Jeff Ott, Director of Finance and Administration
Lynn Pham, Financial Analyst

Address and phone number: 3701 Marconi Avenue
Sacramento, CA 95821
(916) 679-3970

Email address: jott@sswd.org
lpham@sswd.org

Services performed: Audit of the financial statements prepared under GASB 34 in accordance with generally accepted auditing standards and *Government Auditing Standards* a Single Audit under Uniform Guidance and review of the CAFR. for the years ended January 31, 2003 through December 31, 2006 and 2014 through 2019.

Engagement Partner: Ingrid Sheipline

Hours: 400 hours per year

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Name of referenced entity: San Juan Water District

Name of client contact and title: Donna Silva, Director of Finance

Address and phone number: 9935 Auburn-Folsom Road
Granite Bay, California 95746
(916) 791-0115

Email address: dsilva@sjwd.org

Services performed: Audit of the financial statements prepared under GASB 34 in accordance with generally accepted auditing standards, *Governmental Auditing Standards* and preparation of the CAFR for the fiscal years ended June 30, 1999 through 2009 and 2017 through 2019 (2020 audit currently in process).

Engagement Partner: Ingrid Sheipline

Hours: 380 hours per year

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The following are clients for which services were provided in the past two years but are no longer provided:

Name of referenced entity: Fair Oaks Water District

Name of client contact and title: Tom Gray, General Manager
Chi Ha-Ly, Senior Financial Analyst

Address and phone number: 10317 Fair Oaks Blvd.
Fair Oaks, California 95628
(916) 967-5723

Email address: tgray@fowd.com
cha-ly@fowd.com

Services Performed: Audit of the financials prepared under GASB 34 in accordance with generally accepted auditing standards, and *Governmental Auditing Standards* and review of the CAFR for the years ended December 31, 2004 through 2008 and 2014 through 2018.

* * * * *

Name of referenced entity: Sacramento Public Library
Name of client contact and title: Johnny Ea, Finance Manager
Address and phone number: 828 I Street
Sacramento, California 95814
(916) 264-2744

Email address: jea@saclibrary.org

Services Performed: Audit of the financials prepared under GASB 34 in accordance with generally accepted auditing standards, and *Governmental Auditing Standards* and preparation of the financial statements for the years ended June 30, 2011 through 2019.

* * * * *

Name of referenced entity: El Dorado Local Agency Formation Commission
Name of client contact and title: Jose Henriquez, Executive Officer
Address and phone number: 550 Main Street, Suite E
Placerville, California 95667
(530) 295-2707

Email address: jhenriquez@edlafco.us

Services Performed: Audit of the financials prepared under GASB 34 in accordance with generally accepted auditing standards, and *Governmental Auditing Standards* and preparation of the financial statements for the years ended June 30, 2015 through 2019.

OUR AUDIT APPROACH

Scope of Services

We understand that the District requires an audit of its basic financial statements for the fiscal years ended June 30, 2020 through 2024, including all procedures necessary for the issuance of an opinion regarding the fairness of the presentation of the financial statements in conformity with U.S. generally accepted accounting principles, including GASB pronouncements. The audits will be conducted in accordance with U.S. generally accepted auditing standards, the standards set forth for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States as revised, and the Minimum Audit Requirements and Reporting Guide for California Special Districts as required by the State Controller's Office. These services will include the following:

1. Perform an audit of the District's and CFD 2014-1's financial statements, in accordance with generally accepted auditing standards, *Government Auditing Standards* and the State Controller's Minimum Audit Requirements for California Special Districts.
2. Prepare the financial statements of the District and CFD 2014-1 in accordance with all current GASB pronouncements. (Note that effective for the June 30, 2020 audit, to comply with current *Government Auditing Standards*, in order for us to prepare the financial statements and maintain our independence, the District will need to have someone on staff or hire a consultant with the skills, knowledge and experience to review the financial statements.)
3. Express an opinion on the financial statements as to whether they present fairly, in all material respects, the financial position of the District and the changes in financial position in conformity with generally accepted accounting principles (GAAP), and issue an independent auditor's report stating this opinion.
4. Test internal control over financial reporting and compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, in accordance with *Government Auditing Standards*, and issue an independent auditors' report on their consideration.
5. Apply limited audit procedures to the Required Supplementary Information (RSI), Management's Discussion and Analysis (MD&A) and the supplementary information contained in the CAFR.
6. Prepare a Report to the Board of Directors and Management which identifies significant audit findings, difficulties encountered in performing the audit, identify any corrected and uncorrected misstatements, disagreements with management and management representations.
7. Provide general consultation, as required, of current month-end closing processes.
8. Retain audit workpapers for at least seven (7) years.
9. Prepare the Annual Transactions Report to the State Controller's Office for the District and CFD 2014-1. (State Controller's Office report.)
10. Perform agreed-upon procedures in accordance with Article XIII-B Appropriations Limit and issue a report.
11. Issue a separate "management letter" that includes recommendations for improvements in internal control, accounting procedures and other significant observations that are considered

non-reportable conditions. Management letters will be addressed to the General Manager and the Board of Directors.

12. Communicate immediately and in writing all irregularities and illegal acts, or indications of illegal acts, of which we become aware to the District's attorneys and the Board of Directors.

Audit Approach

Our extensive experience in auditing ensures that we will concentrate on those areas of highest risk and plan and coordinate our work with management. We will not waste your time and resources by auditing areas that have no material risk to the financial statements. We will perform an assessment of the internal controls for the purpose of determining the procedures necessary to perform our audit, and any recommended enhancements to internal controls that we note during our audit will be communicated to management and the Board of Directors.

Our audit approach to this engagement is divided into three stages as follows:

Initial Planning: We believe that a smoothly run audit is based upon the early identification and resolution of reporting and auditing issues. Due to the extensive knowledge gained through auditing governmental organizations similar to the District, we will identify such issues in a timely manner and obtain a better understanding of your organization and the external and internal environments in which the District operates. We will examine significant contracts and agreements to determine the effect on the nature and extent of the auditing procedures and to determine laws and regulations subject to test work. Our familiarity with laws and regulations affecting water and other utility districts and will also be used as a resource for determining the extent of testing needed. We will meet with your personnel to obtain an understanding of your internal control structure policies and procedures and to document the flow of information through the accounting system, including how the computer is used to process data, and prepare internal control questionnaires and walkthrough memos with the assistance of your staff.

In order to obtain an understanding of the District's accounting processes, including internal controls that are in place, we will provide the District with a list of questions, and will meet with District personnel to discuss them. We will also determine the provisions of any and all federal and state and county orders; statutes; ordinances; charters; bond covenants; administrative code or other rules and regulations that have a significant financial impact on the District. We will review organization charts and any accounting procedures manuals to obtain an understanding of the District.

Program Development: Our risk assessment and evaluation of internal controls will provide the basis for determining the nature, timing and extent of audit procedures for specific transactions and accounts. Our approach to gaining an understanding of internal control will be in accordance with Statement of Audit Standard (SAS) Nos. 104 through 111, as updated by Nos. 122 through 125. Accordingly, we will focus on obtaining an understanding of the control environment, risk assessment, information and communication, and monitoring components. We will use our experience with other water district audits to document the District's control environment and will perform a walkthrough of significant areas to assess control risk for the purpose of planning our substantive tests. We will perform additional testing of internal controls as needed based on our risk assessment. An overall audit program is the end product of our initial planning. The primary purpose of this phase of our audit approach is to assess the likelihood of material error in the accounts and transactions and to determine the most cost effective and cost efficient mix of audit procedures. In developing the audit program, our aim will be to:

- Provide a complete audit program for all important financial statement amounts.
- Eliminate redundant audit procedures.
- Use audit procedures which accomplish more than one purpose.

Our audit approach is based on an analysis and understanding of the external and internal risk currently facing the organization we are auditing. Risk analysis enables us to design the most effective and efficient audit program, which evaluates and includes audit tests in relation to the size and probability of these risks. This approach provides us with a uniform method for developing and documenting the basis for our audit program.

We provide our clients with a detailed list of items needed during the audit well in advance to allow for sufficient time to gather the information. This approach minimizes disruption to District staff during the course of the audit. We will meet with you to discuss the items included on our list and the District's closing procedures.

Program Execution: During this stage of our audit, we will perform the tests of transactions processed through the accounting system, direct tests of account balances and tests of compliance with laws, regulations and contracts. We plan to use either random or systematic sample selection methods to perform such tests. We will perform all requested tasks as one integrated engagement and will schedule the timing of our field work so that there will be minimal disruption of the day-to-day operations. We will perform testing of internal controls in the areas of utility billings/cash receipts, cash disbursements and payroll, with sample sizes ranging from 10 to 40 items, which will depend on the size of the population. We will select our samples randomly from number sequences or other documents provided by the District. We will use the District's budget to determine the need for restrictions or designations as well as to perform analytical procedures for comparison to actual revenues and expenses.

We will perform analytical procedures to assist us in identifying areas of risk for which substantive procedures will be performed. Analytical review will be done to compare balances to prior years and to budget. Analytical tests will be used for utility service revenue and receivables as well as payroll. However, we believe analytical procedures alone will not identify all potential significant misstatements and will detail test certain balance sheet and income statement accounts that our experience has shown are frequently misstated, such as certain receivables and subsequent payments that may need to be accrued as liabilities. We will utilize electronic audit software during the engagement, including during the on-site interim and year-end fieldwork, for all workpaper preparation and for developing the lead schedules and trend analysis reports used in the audit process. This audit software is a database program that utilizes Word and Excel. We utilize an electronic portal to accumulate documents needed for the audit.

Our audit will be segmented as follows:

Interim fieldwork – During our interim fieldwork, we will perform our risk assessment and internal control walk-throughs, as well as testing of internal controls for utility billings/cash receipts, cash disbursements and payroll. We will also review Board meeting minutes, review journal entries made during the year and perform the additional procedures requested by the District of expenses. If new debt is issued or refunded during the year, we will test the entries made to record these transactions. We will provide a separate list of the items we will need for our interim fieldwork. We anticipate interim fieldwork will take one to two days to complete.

Year-end fieldwork – During year-end fieldwork, we will perform substantive testing and analytical review of year-end balances. We anticipate year-end fieldwork will take three to four days to complete.

The following work plan was developed with your deadlines in mind. The timing identified in the work plan is approximate. **Upon selection as your independent accountants, we will meet with you, and together we will determine a specific timetable which ensures minimal disruption of your employees.** As can be seen from the following work plan, the service team is composed in such a way that each member has adequate supervision and technical support.

Work Plan

Task	Timing	Estimated Hours				Total
		Partner	Senior Managers	Senior	Staff	
Audit Planning:	August/September	5	10	5	5	25
Begin audit planning process						
Risk assessment						
Develop audit programs						
Prepare audit assistance package and confirmation letters						
Provide audit assistance lists						
Compliance Testing:	November		4	8	8	20
Tests of transactions for cash receipts, disbursements and payroll						
Substantive Testing:	November	15	71	52	54	192
Cash and investments						
Revenue and receivables						
Payroll and related liabilities						
Expenses for goods and services and related liabilities						
Capital assets						
Debt and derivatives						
Equity and other credits						
Reporting and Wrap-up:	December/January	8	15	10	8	41
Prepare financial statements, management letter, other reports						
Delivery of final reports	No later than Jan. 31					
Meeting with the Board	February	2				2
Total Annual Audit Hours		30	100	75	75	280

Our audit will be planned so that delivery of all required reports will be accomplished in a timely manner. We believe that the staffing of the audit is sufficient to ensure the timely completion of the audit and to ensure that the work is properly supervised. We would work closely with management to ensure that we provide timely services consistent with your requirements. We will prepare the financial statements consistent with professional standards and will review the drafts of all our reports and letters with the District prior to finalization to ensure the reports meet your requirements. Upon completion of the audit, we will provide the District with copies of our reports, as needed, for distribution to management, the Board of Directors, and other interested parties.

Our firm philosophy centers around our commitment to the highest level of quality service--delivered by quality people. Our tradition of providing technical excellence through teamwork responsive to clients' needs and expectations--and doing so to the very best of our ability--requires that our single focus be on quality. Our commitment to quality results in:

- Satisfying the District's needs by providing value-added services.

- Attracting and retaining clients of the highest caliber.
- Providing personal satisfaction and opportunity for professional growth for every member of our organization.

Some of the specific benefits the District will realize from our audit approach include:

A Smooth, Quick Transition--Our audit approach, familiarity with special districts and our experience in succeeding other accountants prepares us to effect a smooth transition. Our transition plan will ensure that:

- We understand the auditing procedures and accounting treatment currently in place.
- Disruption to your normal operations and time lost due to “educating” the new firm will be minimal.
- We will coordinate and plan our work closely with your staff.

A Fresh Look--We will ensure that the District benefits from a “fresh look” by its new auditors--Richardson & Company, LLP. Our approach to transition engagements, with which we are very experienced, will result in:

- A thorough review and evaluation of your systems of internal accounting and compliance controls.
- A review and evaluation of your significant data processing systems and controls.
- A fresh review of operating practices.

Ongoing Communications with Management--We will work closely with you to resolve issues and serve as the District’s advisor on a timely basis. We do not take dogmatic, unyielding positions, and will keep the lines of communications open. We understand the concepts of materiality and will work with District personnel on all issues with materiality in mind. Members of our engagement team will be readily available to answer the District’s questions and to respond to the District’s needs.

Relevant and insightful suggestions--Our plan and approach requires us to obtain a complete knowledge of the District’s operating environment and accounting systems. This will position us well as an “advisor” to District management.

Less disruption to the District--Our audit plan will result in the most effective and efficient combination of internal control and account balance testing. This will eliminate duplicate procedures and unnecessary tasks, minimizing the necessary number of auditors and, consequently, result in less disruption of District personnel.

IDENTIFICATION OF POTENTIAL AUDIT PROBLEMS

Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities, will result in the reevaluation of whether existing fiduciary funds meet the amended definition of fiduciary activities. This could result in changes to accounting and reporting for existing fiduciary funds during the contract period.

New independence requirements in the 2018 *Government Auditing Standards* (known as the Yellow Book) apply for the first time during the fiscal year ending June 30, 2020. The new independence requirements add additional scrutiny over nonaudit services performed by auditors. The 2018 Yellow Book is intended to result in auditors reevaluating whether they should provide bookkeeping, schedule preparation and other services typically performed as part of an audit that require judgement to be exercised that should be performed by management so they are not put in the position of reviewing their own work. We believe the 2018 Yellow Book independence requirements will result in auditors asking clients to find other accounting and reporting expertise to complete nonaudit services and advise clients about financial disclosures.

We noted the District had a large number of audit adjustments in the 2018/19 audit. We can provide recommendations for CPA's that can assist the District with preparing these closing adjustments prior to the start of the audit. As indicated above, we would not be able to prepare such entries without impairing our independence to perform the audit, or without reporting a material weakness in internal control due to the District not having processes in place to ensure the financial statements comply with generally accepted accounting principles.

ATTACHMENT A - PEER REVIEW



CPAs & BUSINESS ADVISORS

Report on the Firm's System of Quality Control

July 17, 2018

To the Partners of Richardson & Company, LLP
and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Richardson & Company, LLP (the firm) in effect for the year ended March 31, 2018. 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 (Standards). A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

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. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including a compliance audit under the Single Audit Act.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Richardson & Company, LLP in effect for the year ended March 31, 2018, 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*. Richardson & Company, LLP has received a peer review rating of *pass*.


Eide Bailly LLP

What inspires you, inspires us. eidebailly.com

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MEMORANDUM

Date: September 30, 2020
To: Finance Committee
From: Cindy Chao, Controller
Subject: Rancho Murieta Property & Security Special Tax Estimates

At the request from the Board, District Finance staff has reviewed both the Property Tax rolls from Sacramento County and the Security Special Tax accounts from RMCS D. Our review has resulted in the estimates below.

The total estimated 2020-21, RMCS D property tax is based on information from the Sacramento County Assessor's Office. Based on our preliminary calculation, the District will collect \$702,380. From this amount, 91.7%, \$644,053 is generated from properties behind the gates. The remaining 8.3%, or \$58,327 will be generated from properties located outside of the gates. The property tax paid by residents in Murieta Village total \$15,566 or 2.2%.

Security Special Tax collections are estimated to be \$1,416,068 in fiscal year 2020-21. The breakdown is 89.5% or \$1,266,976 from properties behind of the gates and 10.5% or \$149,093 from the properties South of the highway. The Security Special tax paid by residents in Murieta Village total \$16,579 or 1.2%.

The following chart shows the breakdown by both dollar amount and percentage of Property and Security Taxes broken down by behind and outside of the gates and further separated by type of properties:

	Prop Tax		Sec Special Tax	
	\$	%	\$	%
Inside				
Residential	642,653	91.5%	1,175,677	83.0%
Commercial	1,400	0.2%	91,299	6.4%
Total	644,053	91.7%	1,266,976	89.5%
Outside				
Murieta Gardens	10,382	1.5%	5,877	0.4%
Murieta Village	15,566	2.2%	16,579	1.2%
Commercial	32,379	4.6%	126,636	8.9%
Total	58,327	8.3%	149,092	10.5%
Grand Total	702,380	100%	1,416,068	100%

MEMORANDUM

Date: September 30, 2020
To: Finance Committee
From: Tom Hennig, General Manager
Subject: Proposal to Perform Security Services Survey

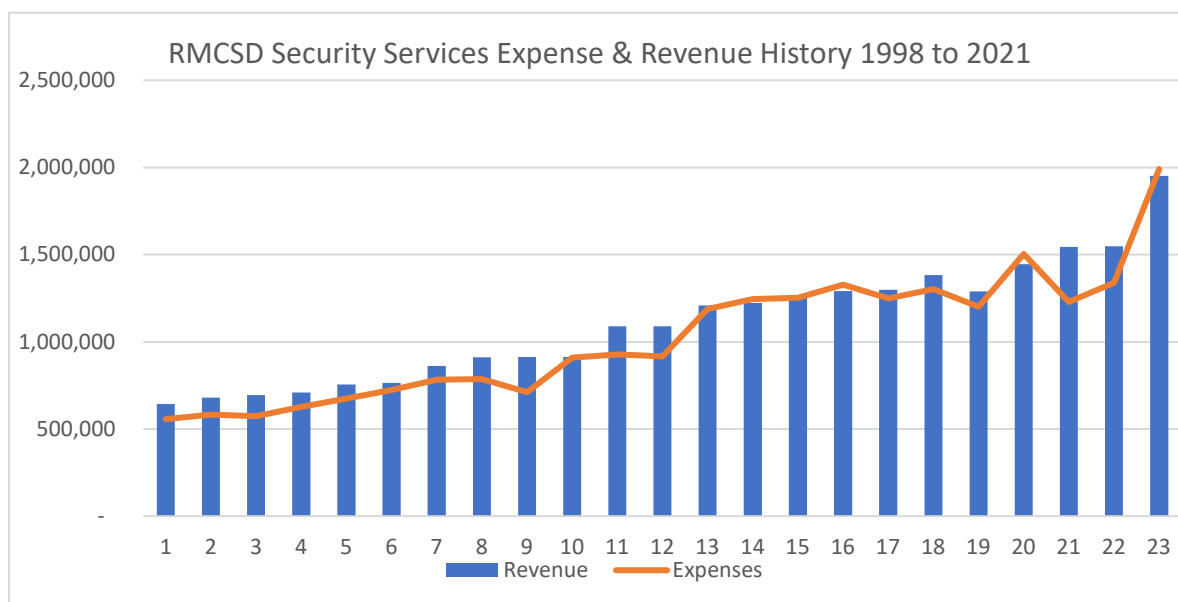
RECOMMENDED ACTIONS

Direct the General Manager to release a Request for Information (RFI) to select a consultant to perform polling services for RMCS D to evaluate District voter’s opinions related to the level of Security Services and associated fees.

BACKGROUND

Security services at Rancho Murieta are funded by Measure J Special Tax, as approved by the voters in 1998. When the voters approved, Measure J, they established methods for setting monthly rates for commercial, residential, and undeveloped property, security services. Measure J provided funding for two (2) gate officers and one (1) patrol officer working 24/7/365. Initially, the base-year rates provided sufficient funds to support the twenty-four hour per day operations. During the first few years, rates were set below the baseline due to lower budgetary needs. Approximately ten years later, the rates needed to increase to keep up with the rising costs. As the years progressed, costs caught up and then surpassed the available rate increases.

Over the past five years, the District began to supplement Security special taxes with general-purpose property tax. This practice became necessary as the cost of security services has outpaced revenue growth. (see chart below) For fiscal year 2020-21, the District has allocated sixty-five percent (65%) of property tax revenue to support Security. Without a significant change in the level of services or an influx of new ratepayers, The District cannot sustain the practice of spending property taxes on Security.



At the request of the Board, District Admin staff researched the options for going back to the voter’s to determine what level of Security would be best suited to serve the majority of Rancho Murieta ratepayers. We

have decided to conduct a voter opinion survey to assess voter awareness, perceptions, and priorities for the District's public safety services, including how, and at what level, the District should provide Security services in the future.

DISCUSSION

RMCSO is unique in being the only California Special District to provide in-house, 24-hour security services. These services are currently funded, in large part, by proceeds from a dedicated parcel tax ("Measure J") approved by voters in June 1998. Twenty-two years later, RMCSO businesses and residents need to decide whether to reduce the level of security services provided to residents or seek voter approval for a supplemental new parcel tax that would bridge the gap between Measure J proceeds and current service level funding needs, or some combination thereof.

Given these circumstances, a representative survey is needed to provide a quantitative assessment of the views, priorities, and perceptions of this issue among the Rancho Murieta community. This survey will inform District leadership whether sufficient support exists among RMCSO voters for a new parcel tax to be viable, and if so, what sort of measure is likely to generate the broadest consensus considering such factors as tax rate; the level of services provided, and the outlook for security services. If agreed, this vote would occur as soon as possible, which would likely be a special election in 2021.

Based on our research, we recommend the issuance of an RFI to evaluate and select a polling service company with the experience and qualifications to design and manage a valid poll. The results of the survey will allow the Board to determine the strategy for meeting the majority of District security requirements. The costs of this survey are estimated to range between fifteen and twenty-five thousand dollars. We intend to re-allocate the funds (\$25,000) budgeted for the Security Fee Study.

SUMMARY

If approved to proceed, we anticipate the following schedule of events.

- November 1, 2020 -Issue contract
- December 1, 2020 – Confirm survey questions and format
- December 7 through 18 – Conduct survey
- January 7, 2021 – Return to Security committee
- January 20, 2021 – Return to Board with results and recommended strategy
- Spring 2021 – District holds a special election

Based on the discussion and possible direction from the Finance Committee, we will issue an RFI with the intent of recommending the contract for approval at the October 21, 2020 Board meeting.