



RANCHO MURIETA COMMUNITY SERVICES DISTRICT

15160 Jackson Road, Rancho Murieta, CA 95683

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FINANCE COMMITTEE

(Directors John Merchant and Tim Maybee)

Regular Meeting

June 6, 2019 at 8:30 a.m.

All persons present at District meetings will place their cellular devices in silent and/or vibrate mode (no ringing of any kind). During meetings, these devices will be used only for emergency purposes and, if used, the party called/calling will exit the meeting room for conversation. Other electronic and internet enabled devices are to be used in the "silent" mode. Under no circumstances will recording devices or problems associated with them be permitted to interrupt or delay District meetings.

AGENDA

1. **Call to Order**
2. **Comments from the Public**
3. **Review Late Fee Charge**
4. **Receive FY 2019-20 Budget Update**
5. **Review FY 2018-19 February Year to Date Financials**
6. **Receive Financial Accounting Services Report Update**
7. **Receive Workers Compensation Costs Update**
8. **Directors and Staff Comments/Suggestions [no action]**
9. **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 72 hours prior to a regular 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.

Note: This agenda is posted pursuant to the provisions of the Government Code commencing at Section 54950. The date of this posting is May 31, 2019. Posting locations are: 1) District Office; 2) Post Office; 3) Rancho Murieta Association; 4) Murieta Village Association.

MEMORANDUM

Date: June 3, 2019
To: Finance Committee
From: Tom Hennig, Director of Administration
Subject: Review Late Fee Charge

RECOMMENDED ACTION

No action, information only.

BACKGROUND

The Board of Directors placed a request for staff to evaluate District interest and penalties for delinquent accounts. The focus of the request was to determine if current policies were in the best interest of the District and its rate payers. For all past due accounts, the general practice includes the following charges:

1. A one-time basic penalty of ten percent (10%) shall be added to each delinquent bill for the first month the bill is delinquent. (Amended by Ordinance # 96-3)
2. After levying the basic penalty provided in Section 9.06 (a), the District shall thereafter levy an additional penalty of one-half percent (.5%) per month to all delinquent charges and basic penalties remaining unpaid, until and unless the Board requests the County Auditor to include the amount of all delinquent rates, charges, and penalties on the bills for taxes levied against the appropriate premises as set forth in Section 9.09. (Amended by Ordinance 96-3)

The current attention to this issue is based on the fact that various rate payers have begun allowing their accounts to become delinquent with the expectation of paying their bills at a much later date. It has been regular practice for the District to place a lien on accounts which are delinquent at the end of the June billing cycle. That lien goes onto the Sacramento County tax roll, via the Teeter Program and the County collects the overdue amount in addition to normal County taxes. The Teeter program provides a method for the County to distribute taxes, which guarantees that participating agencies receive 100% of levied fees and unpaid bills as opposed to the actual amount collected. Submittal of delinquent accounts to the County's Teeter Program is approved by the Board at the August Board meeting. The payment from the County arrives approximately sixteen (16) months later.

STATE AND DISTRICT CODE

For fees and charges, the maximum penalty and interest is provided by Government Code section 61115(a)(3)(C). This authorizes "a basic penalty for the nonpayment of charges of not more than 10 percent, plus an additional penalty of not more than 1 percent per month for the nonpayment of the charges and the basic penalty." The current District penalties are set at the 10% maximum and the interest is fixed at 0.5% per month, meaning that there is room to increase the interest rate up to 1% per month. (District Code Chapter 14, Section 9.06; District Code Chapter 15, Section 7.10; and District Code Chapter 31, Section 4.03(f).)

Security and drainage special taxes are subject to the same penalties for nonpayment as the monthly District fees and charges. (Government. Code Sec. 50077(b); District Ordinance No. 98-1, Section. 4.00 and District

Ordinance No. 98-2, Section. 4.00; District Code Chapter 16A, Section 4.00 and District Code Chapter 21, Section 7.01). Therefore, the maximum penalty and interest imposed on delinquent special tax payments should be the same as the penalty and interest imposed by the District on delinquent fees. The special taxes also are subject to the same 10% (one time) and potential for up to 1% per month limits set forth above.

SUMMARY

Only recently has the focus on the Teeter program become a significant issue. As reported at the District's May 15, 2019 Regular Board meeting, there is currently \$162,692 in outstanding special taxes owed on large undeveloped parcels, which represents 98.3% of total past due accounts. By the end of the year, this number will likely exceed \$200,000. This amount represents a serious level of financial risk and requires staff to spend additional time to track the delinquencies. As reported to the Board in recent open meetings, the County has informed District staff that the Teeter program will continue to take on the risk by paying the District and collecting at a later date. However, should the County discontinue this practice, the District would then become the collector and would be negatively impacted financially from efforts to collect on the delinquent fees. Staff will continue to monitor this program as well as continue to report delinquent accounts to the Board.

MEMORANDUM

Date: May 31, 2019
To: Finance Committee
From: Tom Hennig, Director of Administration
Subject: FY 2019-20 Budget Update

RECOMMENDED ACTION

No action.

BACKGROUND

Staff have made two minor changes to the proposed FY 2019-20 budget.

The original increase in **Workers Comp / General Liability** has been reduced by \$21,047 since the initial budget presentation, a result of the prompting of staff to its risk agency to allow the District to phase in increases to workers compensation liability that had accrued over multiple years. The original proposed workers compensation rate, originally increasing from 4.0% to 6.9% of total gross wages, has been reduced to 5% of total gross wages. The workers comp XMod, a statistic used to compare an employer's loss history to the average for their industry, is currently 1.3. The ideal rating would be 1.0. Staff will continue to meet with Golden State Risk Management Authority (GSRMA) staff to monitor and to identify methods for workers compensation claim reductions. These funds have been re-allocated to reinstate the full student intern staffing plan which had been reduced to support unexpected chemical expense increases.

Solid Waste fees have been reduced by approximately 0.80 cents per household per year. This action results in a decrease in costs of approximately \$2,000. Staff recommends these funds remain in the Solid Waste account to be used to offset general expenses within Solid Waste.

MEMORANDUM

Date: June 5, 2019
To: Finance Committee
From: Tom Hennig, Director of Administration
Subject: Review FY 2019-20 February Year to Date Financials

RECOMMENDED ACTION

No action requested

BACKGROUND

The District financial reporting was suspended in March due to circumstances beyond our control. With assistance from The Pun Group, staff now has a solid foundation to begin producing accurate financial reports. One of the proposed deliverables in the contract was to revamp the budget reporting format to allow reports to be produced directly from the Great Plains financial software. The report included today is the first look at the new format.

CURRENT STATUS

The financial summary for February is being presented for review at this time. We believe this report accurately represents the District's financial position as it relates to Revenues and Expenditures only. Staff is now working to begin the formal month-end closing processes. This will begin with re-closing December and January to fix problems discovered during the work by The Pun Group. As part of this process, finance staff will catch up with the allocations and expenditures for the various reserve accounts and reserve reporting format complete the year-to-date reserve transactions.

This report also presents the new format for producing the budget reports. Staff have worked over the last few months with The Pun Group as listed above as a deliverable. These reports are built into the Great Plains software as a standard reporting tool and will be the basis for reporting moving forward. Staff is also working to begin integrating financial related systems with the Great Plains software. In the future, these efforts will help to simplify monthly and other periodic reporting to the Board.

NEXT STEPS

Over the next few weeks staff will work to implement the changes to our accounting processes to fulfill the plans established when hiring The Pun Group to help improve the accounting financial services for the District.

RANCHO MURIETA CSD
Summary of All CSD Funds
For the Eight Months Ending 2/28/2019
Budget to Actual Comparison Detail

Account	Description	Period Budget	Period Actual	YTD Budget	YTD Actual	YTD Budget (Over)/Under	Annual Budget
3000	Charges for Services - Residential	\$393,483	\$384,349	\$3,502,449	\$3,451,203	\$51,246	\$5,173,430
3010	Charges for Services - Commercial	38,706	37,388	387,353	395,923	(8,570)	566,859
3020	Availability Charges	0	0	0	0	0	680
3050	Sales Other	700	701	5,600	6,667	(1,067)	8,400
3060	CIA Ditch Service Charges	0	0	0	0	0	1,800
3070	Property Taxes	54,167	372,467	433,336	378,104	55,232	650,000
3071	Property Taxes (Reserve Alloc)	(6,833)	0	(54,664)	0	(54,664)	(82,000)
	Total General Income	480,223	794,905	4,274,074	4,231,898	42,176	6,319,169
3180	Interest Income	20	243	3,625	8,014	(4,389)	7,219
	Total Earnings Income	20	243	3,625	8,014	(4,389)	7,219
3210	Meter Installation Fee	0	0	1,200	1,200	0	1,600
3220	Inspection Fees	0	0	886	759	127	1,265
3230	Telephone Line Contracts	518	572	4,144	4,577	(434)	6,215
3240	Fines/Rule Enforcement	175	175	1,400	1,400	0	2,100
3250	Late Charges	6,000	6,587	48,000	55,244	(7,244)	72,800
3300	Title Transfer Fees	1,350	300	10,800	6,900	3,900	16,200
3400	Security Gate Bar Code Income	650	1,220	5,200	6,280	(1,080)	7,800
3477	Project Reimbursement	382	1,773	3,056	19,246	(16,190)	4,584
3500	Misc Income	825	700	6,600	7,009	(409)	12,100
	Total Other Income	9,900	11,327	81,285	102,614	(21,329)	124,664
	TOTAL REVENUE	490,142	806,475	4,358,984	4,342,526	16,458	6,451,052
4000	Salaries & Wages	189,615	156,854	1,551,069	1,329,607	221,462	2,386,102
4010	Wages - Contra Account	0	0	0	(155)	155	0
4050	Employer Costs	57,129	38,146	431,887	356,822	75,065	660,405
4052	Payroll Taxes	14,099	11,433	107,445	84,643	22,802	160,248
4053	Other Employer Costs	13,489	13,043	111,719	103,570	8,149	166,775
4051	Pension Expense	28,990	33,438	234,579	218,001	16,578	357,243
4080	Tuition Reimbursement	0	0	1,435	0	1,435	2,870
	Total Employee Services	303,322	252,913	2,438,135	2,092,488	345,646	3,733,643
4100	Clerical Services	0	14,637	15,000	103,205	(88,205)	15,000
4150	Recruitment	820	0	14,560	6,757	7,804	17,840
4200	Travel/Meetings	725	189	13,160	3,635	9,525	16,555
4250	Office Supplies	3,045	5,050	24,660	22,225	2,435	37,090
4300	CWRS Contract Charges	48,311	49,217	386,356	392,946	(6,590)	579,691
4350	Mail Machine Lease	0	0	2,100	1,614	486	2,800
4400	Copy Machine Maintenance	1,622	1,546	12,976	10,669	2,307	19,464
4450	Insurance	10,332	6,347	82,658	81,178	1,481	123,988
4500	Postage	1,680	1,500	13,440	12,743	697	20,160
4550	Telephones	2,633	5,176	23,653	38,554	(14,901)	34,183

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Account	Description	Period Budget	Period Actual	YTD Budget	YTD Actual	YTD Budget (Over)/Under	Annual Budget
4600	Memberships	0	438	16,716	11,213	5,503	17,846
4650	Audit	0	0	15,000	15,500	(500)	15,000
4700	Legal	7,750	3,292	92,000	40,477	51,523	124,000
4750	Training/Safety	1,225	514	23,625	13,507	10,118	31,260
4800	Community Communications	100	0	4,000	567	3,433	8,200
4850	Equipment Maint	50	1,510	3,350	4,481	(1,131)	3,550
4900	Consulting	5,200	5,382	43,300	41,798	1,502	64,850
4950	CIA Ditch Operations	300	1,048	2,400	(36,226)	38,626	3,600
	Total Administrative Services	83,793	95,846	788,954	764,839	24,115	1,135,077
5050	Election	0	0	6,000	5,934	66	6,000
5100	Uniforms	1,300	1,129	10,600	12,156	(1,556)	16,000
5150	Equipment Repairs	400	591	3,200	1,386	1,814	4,800
5200	Building/Grounds Maint/Pest Cntr	2,850	2,086	22,238	23,364	(1,127)	33,383
5225	Bar Codes	500	0	4,000	4,625	(625)	6,000
5250	Vehicle Maint	3,750	6,708	30,000	33,579	(3,579)	45,000
5300	Vehicle Fuel	2,900	2,656	29,400	28,420	980	44,500
5310	Vehicle Lease	348	0	2,736	0	2,736	4,145
5315	Off Duty Sheriff	0	(2,923)	8,000	3,051	4,949	8,000
5375	Power	28,446	26,293	211,676	192,319	19,357	325,732
5400	Information System Maint	6,679	3,445	93,700	93,473	228	122,016
5450	Supplies	2,325	8,076	18,600	32,091	(13,491)	27,900
5500	Equipment Rental	1,300	0	13,400	0	13,400	21,600
5525	Road Paving	3,000	0	24,000	13,372	10,628	36,000
5550	Maintenance/Repairs	27,300	5,635	230,050	173,123	56,927	356,814
5555	Non-routine Maint/Repair	3,000	0	24,000	412	23,588	36,000
5575	Permits	0	0	6,500	5,692	808	6,500
5600	Chemicals	9,553	0	93,924	78,537	15,387	148,948
5605	Chemicals - T&O	0	0	5,500	2,661	2,839	10,000
5650	Lab Tests	2,750	2,808	21,000	17,256	3,744	32,000
5700	Removal (Hazardous Waste)	0	0	7,500	6,537	963	11,000
5725	Permits	100	0	54,086	59,264	(5,179)	69,536
5750	Tools	800	0	7,400	2,394	5,006	14,144
5800	Dam Inspection Costs	0	0	52,877	52,877	0	52,877
5850	Water Meters/Boxes	3,000	0	24,000	10,677	13,323	36,000
5950	Drainage Improvements	0	0	3,000	0	3,000	5,000
	Total Operational Costs	100,301	56,503	1,007,387	853,201	154,185	1,479,894
6000	Miscellaneous	4,635	2,944	37,172	30,889	6,283	56,643
6001	Admin Contingency	0	0	0	0	0	35,000
6002	Director Exp/Reimbursements	450	1,572	3,600	3,346	254	5,400
6003	Director Meeting Payments	1,500	1,000	12,000	5,900	6,100	18,000
7002	Conservation	600	500	10,720	9,748	972	13,260
7003	Sacto Water Authority	0	0	9,500	9,555	(55)	9,500

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7005	CGWA/SE Area Water	0	0	0	12,000	(12,000)	0
7010	Interest Expense	1,713	1,926	12,681	14,748	(2,067)	19,926
	Total Other Expenses	8,897	7,942	85,673	86,186	(513)	157,729
	Total Operating Costs	496,313	413,204	4,320,148	3,796,714	523,434	6,506,342
	Net Income (Loss) before depreciation	(15,068)	385,329	(46,838)	459,625	(506,463)	(213,019)
9000	Depreciation	120,000	117,366	960,000	938,926	21,074	1,440,000
	Net Income (Loss) after depreciation	(135,068)	267,963	(1,006,838)	(479,301)	(527,537)	(1,653,019)

MEMORANDUM

Date: June 5, 2019
To: Finance Committee
From: Tom Hennig, Director of Administration
Subject: Receive Financial Accounting Services Update

RECOMMENDED ACTION

Confirm direction for implementation of The Pun Group recommendations relating to the District's financial accounting practices.

BACKGROUND

The District financial reporting was suspended in March due to circumstances beyond our control. Beginning in April, the District contracted with The Pun Group to provide Financial Accounting Services as a means to assess and stabilize financial activities and reporting. The proposed deliverables were as follow:

- Reconciliation of District records to the general ledger and budget, as applicable, for the following accounts:
 - Cash and Investments
 - YTD General Journal Entries
 - Payroll
 - Accounts Payable
 - Accounts Receivable
 - Capital Projects/Grants
 - Fixed Assets
 - Long Term Debt
 - Reserve Account Management
- Accrual and other adjusting entries to adjust the financial statements to the recommended process.
- Evaluation of information required to develop recommended standard finance and accounting processes and a recommended transition plan to encompass new finance and accounting processes and position duties.
- Recommend an improved best practice accounting process to include the monthly generation of reports out of the Great Plains program.
- Work with staff to complete the FY 2019-20 budget report generated out of the Great Plains program.

CURRENT STATUS

Once their initial round of interviews with staff and analysis were completed, The Pun Group determined their best strategy would be to set the end of February as the point for confirming revenues and expenditures. This is a common strategy utilized by financial experts as a means for setting a baseline to build from once the systems and processes are fixed. Throughout this process, The Pun Group has maintained a list of matters for further consideration. There are currently 21 matters listed for review and possible action. Most of these

matters are the result of outdated accounting practices and lack of vision for operational efficiencies. These matters of consideration will be grouped in a logical format to allow staff to set goals for completion, timing for implementation, and any necessary funding needs.

District staff is currently in the process of confirming the financial transactions related to recommendations and making the necessary journal entries into the Great Plains Accounting System. Staff is also conducting detailed internal review of all the matters of further consideration. Our goal is to evaluate the level of effort and cost for each matter and then to prioritize and set a schedule for completion.

NEXT STEPS

Following the completion of the Phase One Project, District finance staff will begin putting into place the various changes as prioritized above. Our plan is to hire an accounting consulting firm to assist with the more complex recommendations and then to move forward with those activities beginning with the start of the new Fiscal Year on July 1, 2019. We are also expanding our recruiting activities for hiring a full time Controller.