

BACKGROUND INFORMATION REGARDING CSD

In the early 1970's, Ray Henderson, Project Manager for the Operating Engineers Pension Trust Fund (PTF), negotiated a memorandum of understanding with El Dorado Irrigation District (EID) to provide water and sewer services to Rancho Murieta. This was necessary to enable the PTF to obtain their white report from the Department of Real Estate to sell property.

The developers also initiated and recorded the articles of incorporation and by-laws to form the Rancho Murieta Association (RMA) and Murieta Townhouses, Inc. (MTI), and in the early days were the directors, as there were not enough residents to comprise boards for both RMA and MTI.

By 1980, the majorities of directors of the organizations were residents and were looking at Rancho Murieta's future from an owner's perspective. EID is a very large water and sewer District headquartered in Placerville, primarily serving residents of El Dorado County. Hookup fees for water and sewer services were paid to EID, with no assurance that the fees being spent by EID would necessarily be for the benefit of Rancho Murieta. On the contrary, there was concern that the customers at Rancho Murieta could become liable for the indebtedness of EID District -wide. Property tax revenues were also going out of the County to EID with no guarantee that those revenues would be expended at Rancho Murieta.

FORMATION OF CSD

RMA contacted Sacramento County Local Agency Formation Commission (LAFCO) and contracted for a feasibility study to ascertain whether the community could support a Community Services District to provide municipal services within Rancho Murieta. This feasibility study concluded that a District could best serve the community, and in June of 1982, after local registered voters petitioned the County and public hearings were held, the voters approved the formation of the Rancho Murieta Community Services District (District), and elected five directors. RMA supported this concept and advanced the election costs, with the long term objective of having the District become the service provider of everything except street maintenance, in order to preserve the private nature and restricted access into the community.

The election resulted in voter approval for District to provide:

- Police protection/security services
- Road construction and maintenance
- Landscape maintenance

- Drainage construction and maintenance
- Public recreation
- Street lighting

Subsequently, the voters authorized the District to provide all municipal services authorized in the California Government Code, as well as some special services authorized by the legislature. Those services approved by the voters of Rancho Murieta include:

- Fire Protection
- Ambulance
- Libraries
- Mosquito Abatement
- Airports
- Garbage or Refuse
- Transportation Services
- Water and Sewer
- Conversion of existing overhead electric and communication facilities to underground locations
- Construction improvements of bridges, culverts, curbs, gutters, drains and works incidental to road construction and maintenance

Special legislation included:

- Television and television related services, burglar, and fire alarm facilities
- Issuance of revenue bonds
- Enforcement of CC&R's (Covenants, Conditions, and Restrictions)
- Hydroelectric power generating facilities and transmission lines

After several months of negotiations, the District detached from El Dorado Irrigation District and began providing water, sewer, and drainage services in October of 1983. This generated a revenue stream (fees for services) and the District repaid RMA the election costs they had expended on behalf of the District. The property tax revenue formerly going to EID was redirected to the District, and is used to offset some of the administrative costs. In recent years (2004-05 and 2005-06), the State of California withheld approximately 40% of the property tax revenue to help balance the State budget.

Originally, the administration staff served the District, RMA and MTI and was on the RMA payroll, with charges made to District and MTI for the time spent by staff on matters for the various entities. Subsequently, in 1984, the District contracted with PERS, the Public Employees Retirement System, and the entire administrative staff became District employees, with charges made back to RMA and MTI. These arrangements were made under an Administrative Services Agreement, and were reevaluated regularly to insure that the costs were fairly distributed, based on timesheets of the employees.

SECURITY SERVICES TRANSFER

Early in 1984, the developer (PTF through RMPI [Rancho Murieta Properties, Inc.]) refused to pay RMA's charges for security. Several meetings were held with RMPI representatives, RMA, and District to discuss resolution of the issues. When no satisfactory resolution could be reached, RMA requested the District to become the provider of security services, utilizing the District's ability to enact ordinances requiring that customers pay for the services, and to place delinquencies on the tax rolls for collection. After public hearings were held, in July of 1984, the District became the service provider for security services. The security employees were terminated, after negotiation with the Operating Engineers Union. The District interviewed and hired staff as public employees. Many of the RMA security employees became District security employees.

PUBLIC FINANCING

In late 1985, PTF sold its interests in Rancho Murieta to Jack Anderson through his various corporations and recorded a deed of trust to secure the property. Erik Tallstrom became the Project Manager at Rancho Murieta, representing Jack Anderson. He approached the District in early 1986 for public financing to construct a new water plant, and to acquire existing facilities, which had not been dedicated to the public and were still owned by RMPI. After months of negotiations, in September of 1986, Improvement District No. 1 was formed and \$19 million of 1915 Act Bonds were sold, encumbering all of the properties both North and South owned by RMPI and CBC Builders, Inc., another of Anderson's corporations.

Through negotiations for the Improvement District, the District obtained the water rights held by RMPI and deeds and easements for public utilities, which had never been drawn and recorded by the PTF. Having the water rights and managing the water for the community was a major accomplishment for the District.

ADMINISTRATIVE STAFF/SEPARATION

The community was growing by an average of 100 homes per year during these years, requiring a great deal of activity by the boards of each entity. Having three board meetings per month, for each entity was not uncommon. Providing efficient and satisfactory service by the administrative staff to each entity became increasingly difficult, since the priorities of each board were different.

The boards concluded that it would be economical to contract for accounting services to meet the needs of the individual boards. After receiving proposals from suppliers, Transdata (later called

Business Services Group or Straine and Associates) was selected to become the provider of accounting services.

In January of 1987, Transdata employed the two staff accountants who had been District employees, and identified one to serve RMA and the other CSD. The General Manager, Harry Dunlop, resigned and became a consultant to the District for six months. Earl Oliver became the General Manager of RMA and Marion Cravens of the District. The Administrative Services contracts were terminated and the District relocated its offices from the firehouse to the Plaza and each entity established its own staff to meet its needs. In 1989, the District renegotiated its contract with Straine and rehired Greg Hall to become the District Accountant. The contract with Straine was terminated completely at the end of 1995, with the District's acquisition of its own accounting software system.

PARKS MASTER PLAN

In 1988, RMPI sold property south of the Cosumnes River to Winncrest Homes. When the District Directors saw the first lotting plans for Winncrest and realized the only open space was the golf course, the District exercised its latent powers regarding parks. The District solicited proposals to develop a parks master plan, and selected Imai-Wang and Associates to prepare the plan. The plan included resident surveys, many public hearings and forums, and finally adoption of a parks master plan. Since the District's powers do not include land use planning or approval, the District worked with Sacramento County in providing this master plan to meet the community's needs. Sacramento County Planning regularly uses this document in the land use applications for Rancho Murieta as the basis for improvements required by the Parks Agreements.

In California, the Quimby Act requires that new developments meet the criteria of neighborhood and community parks, based on demographics, population, and acreage defined by each County. In the 1970's the developers contracted with Sacramento County to exchange the Yellow Bridge for 135 acres of property along the river to be used as a County park. This acreage satisfied the County's park requirements, although the County has never developed any improvements and there are no plans or funds for future development. Ultimately, this area will become a regional type park. Obviously, it does not meet the requirements for neighborhood or community parks. Therefore, through the intervention of the District, the Murieta South developers changed their plans to provide open space and parks, rather than the golf course being the only open space.

The Parks Agreements were negotiated and all owners of undeveloped properties became signatory to the Parks Agreements which credited the South developers for developing and dedicating the

parks in the South. Other North developers agreed to pay park fees, based on the parks master plan and the agreements, upon the annexation in to RMA. The Parks Committee, as designated in the agreements, is comprised of two representatives from RMA, one from CSD, and two from the development community. Only they control the expenditure of the park funds and determine how the program is to be implemented in accordance with the master plan.

STONEHOUSE ACREAGE

The Stonehouse 26 ± acreage is owned by the District. At one time, it had been used as the wastewater collection and treatment facility and contained four ponds along Stonehouse Road. After the new plant was constructed South of Highway 16, the District authorized grading out of the two lower ponds by the Training Center to make a smooth area for athletic fields. The two upper ponds will remain in usable condition until the Yellow Bridge is rehabilitated or replaced, as it holds a sewer line, which serves as an overflow for the North development in times of emergency. Once that issue is resolved and the reliability of the bridge is assured, the upper ponds can be utilized for the community park needs, as outlined in the parks master plan. Currently, RMA leases the park site from the District.

The northernmost area of the acreage has been utilized by RMA for their maintenance site under a use permit from the County requested by the District as owner. The five-year lease for the site expired July 31, 1992, and a new lease was negotiated to allow RMA to use the maintenance site.

GLOBAL SETTLEMENT

In 1990, there was a movement to resolve several outstanding issues among RMA, the District, RMPI, and RMCC (Rancho Murieta Country Club), commonly referred to as the “global settlement”. Agreements were reached which would have resolved many issues, which still confront the community. These included: transferring the common area around the townhouse lots in Unit 4 to RMPI; the District transferring title to the Stonehouse acreage to RMPI in exchange for commercial and industrial acreage; RMPI transferring title to the Stonehouse property to RMA in exchange for the common area. The District’s constraints regarding gift of public funds was accommodated by increasing or decreasing the amount of acreage to be transferred by RMPI in the industrial area adjacent to the wastewater plant, according to its value.

This settlement did not come to fruition, although some aspects of the Memorandum of Understanding were carried out, e.g., RMPI's lawsuit against the District's water policy was dropped; RMPI agreed to subject their commercial properties to a lighting and landscape District for maintenance of Lone Pine, Cantova Way, and Murieta Drive, etc. (The assessment District has not been formed, to date.) One of the items covered in the global settlement was the requirement that the developers submit a design for a new North Gate entrance by the end of 1990 and construction of the facility when a certain level of development was reached. Obviously, this did not occur.

The Parks agreements were being negotiated at the time of the global settlement. There are several counterparts to the agreements, each signed by the RMA and the District and the various owners of the undeveloped property. The timing of the execution of those agreements created some confusion, as the developers were required to pay the park fees upon annexation into RMA. Unit 6 had already been annexed into RMA when they signed the agreement. That is why the park fees are paid to RMA on a lot by lot basis by the individual homeowners in Unit 6. The District has enacted an ordinance requiring the payment of park fees to RMA prior to issuance of a water meter.

DRAINAGE AND FLOOD CONTROL

The District and RMA work together in many respects. A prime example is drainage and flood control. In 1988, the District adopted a flood control and drainage master plan. By working with the RMA representatives, it was agreed that the area below the surface of the streets would be the District's responsibility to maintain – the surface area is RMA's. The bottom of the drainage channels and ditches which follow natural terrain throughout the community are maintained by the District to avoid flooding. The RMA is responsible for the side slopes, as the channels are in common area.

In this regard, it is critical that landscape, pool plans, or other improvements in the common area are submitted to the District for site review prior to RMA's approval. The District's interests are limited to improvements located in drainage, sewer, and water easements or improvements affecting drainage.

ACCESS INTO THE RMA AREAS

Through cooperation between District and RMA, the District provides security gate and patrol services, restricting access into the gated community to invited guests of residents and property owners. With the Country Club facilities being open to the public, an added dimension of responsibility is placed on security. Residents' vehicles display a colored decal for entry; other vehicles, including vendors and realtors, are logged via license number and destination. The Patrol

Officers observe and report rule violations to RMA, under policies adopted by the District Board of Directors. Patrol and dispatch services are provided outside the RMA annexed areas within the boundaries of the District.

NORTH GATE

The District is concerned about public safety. With the installation of the left turn signal on Highway 16 a few years ago, it became apparent that there was insufficient vehicle stacking room in the visitor lane when guests are being registered or there is any other cause for delay. The residents and guests who need to turn left on Lago Drive enter in the visitor lane in order to be able to make a left turn. Many residents drive through the visitor lane as a matter of convenience to them, which exacerbate the short stacking problems.

To create a safer entrance into the North area, relocating the gate beyond Lago Drive, would provide the safe stacking area from the highway. An automated arm only for residents who need to turn left would provide access without filling the visitor lane with residents. This safety issue is of common concern to both District and RMA.

Currently, the North Gate is owned by RMA and staffed by District personnel. The South Gate is owned and staffed by the District. The gates are used as the dispatch center for calls for service and for guest registration, as well as controlling the access into the community. Residents are encouraged to use access cards to open the resident lane arm. If the visitor lane were truly available only to visitors, the Gate Officers would have greater opportunities to restrict access only to invited guests and to the Country Club.

TRAFFIC SIGNAL

During the mid-1980's, RMA took the lead in contacting Caltrans about improving Highway 16 to make it safer. In conjunction with the highway improvements, the issue of crossing the highway became a major focus when the shopping center opened and suddenly the volume of traffic crossing the highway dramatically increased. There were many meetings with representatives of various organizations about how to get a traffic signal installed and how it would be funded. RMA advanced one-half of the costs of design and construction (the other half was paid by the State since two of the four legs of the signal were in highway right-of-way and the other on private streets).

YELLOW BRIDGE

Earlier, a brief reference was made to the reliability of the Yellow Bridge. For background information, when the Improvement District was formed in 1986, one of the agreements was a license agreement granted by RMPI authorizing the District to add a fourth utility line to the three lines currently on the bridge. The bridge, which was originally a State highway bridge built in the early 1900's, was later acquired by Sacramento County when the concrete highway bridge was built by the State. No maintenance work had been performed on the bridge for a long period, other than painting the visible portions of the steel.

When the Community Facilities District No. 1 (Mello-Roos) was formed in 1991, for the South properties, one item of work for which bonds were sold was replacement of the bridge. \$770,000 was estimated to be the cost of this project. Upon examination, it was determined that rehabilitation of the bridge to make it safe against earthquakes and for the loads it carries, would be satisfactory, rather than replacement. The District has a letter of credit to cover the costs of the rehabilitation.

RMA is involved in the project to the extent that pedestrian and bicycle access between the North and South areas relies on the bridge. The Country Club which leases the bridge from RMPI/PTF, and the South developers, concluded that relocation of the utility lines on the bridge in a different configuration would provide space for both pedestrians and golf carts. The issue of the pedestrian and bicycle access needs to be resolved between RMA, the Country Club, and the South developers. The District's involvement relates solely to the reliability of the bridge and the location of the utility lines. The contract for the rehabilitation of the bridge was bid in 1994 but not awarded.

However, most recently, in February 2000, the project was re-bid and the rehab work started in April and was completed by the end of September. The work included the original scope of work which was painting, joint repairs and bearing pad replacement.

SPHERE OF INFLUENCE

In the early 90's, the District was approached by landowners to the West and North of the District boundaries regarding annexation into the District. The primary party making the request is Deer Creek Hills (DCH), formerly known as Golden Acres. DCH owns approximately 4,000 acres of land North of Rancho Murieta, bounded on the West by Stonehouse and Scott Roads, which they plan to develop as an age-restricted community.

The first step in the annexation process required an amendment to the Sphere of Influence. The current Sphere of Influence boundary is conterminous with the boundaries of the District, the 3500 acres of Rancho Murieta. Any change in that boundary requires an application to the Sacramento Local Agency Formation Commission (LAFCO), which has been made by the District. The District has an agreement which requires DCH to pay all costs associated with the amendment to the Sphere of Influence.

Following environmental documentation, i.e., completion of detailed Environmental Impact Report by the County, the Board of Supervisors held many public hearings concerning the Deer Creek Hills project. After much deliberation, the project was rejected by the Board of Supervisors.

The project proponent, C.C. Meyers, funded ballot Measure O during the 2000 election year. This proposition requested that the voters of Sacramento consider approving the Deer Creek Hills project. The measure failed and no development activity has since occurred.

MEASURE J&K

As a result of Proposition 218, a California constitutional amendment, the District was required to change the way it receives revenue from its customers for drainage and security services. Prior to Proposition 218 the District charged monthly fees for service for drainage and security services. Post proposition 218, security and drainages services were required to be funded by special taxes, approved by a two-thirds majority of registered voters in the community. Measure J&K, in the 1998 election year, were measures proposed by the District, seeking voter approval of security and drainage special taxes. Both measures were overwhelmingly approved by nearly 80% of the voters.

Following voter approval of Measure J&K, PTF sued the District over the methodology in determining the drainage and security special taxes, particularly on undeveloped lands. In 2000, PTF and the District reached a mediated settlement to the lawsuit, wherein the District would reduce drainage and security taxes on undeveloped lands and PTF would deed 10 acres of industrial land adjacent to the District's reclamation plant to the District.

THREE WAY LAND SWAP

In the mid 1990's PTF filed foreclosure proceedings on RMPI lands in the north and Winncrest Homes lands on the south. Both parties filed cross complaints. PTF also brought action against the

District to void all easements, agreements and contracts by and between the District, RMPI and Winncrest.

During this same period, RMA filed a lawsuit against PTF alleging developer negligence in their sale of their properties and assets to Jack Anderson (RMPI). RMA's primary purpose was to recoup lost dues revenue resulting from the FDIC taking over lands from RMPI and not being required to pay HOA dues under federal FDIC statutes.

In the fall of 2004, as a result of settlement agreements to all of the ongoing litigation through the 1990's, the District, PTF and RMA entered into a three way property exchange. The District received new easements and deeds from PTF to replace those easements and deeds included in the RMPI and Winncrest foreclosure proceedings; and 10 acres of industrial land from PTF as part of the settlement for Measure J&K litigation.

RMA received park sites from both PTF and the District. PTF deeded Clementia, Calero, and Murieta Parkway park sites to RMA; the District deeded the 26 acre Stonehouse community park site to RMA.

PEDESTRIAN BRIDGE

One of the original conditions of approval in the early 1990's for the south residential projects was to provide a crossing over the Cosumnes River to allow residents to freely move between the north and south residential areas. Various crossing alternatives were investigated and brought forward by the south developers, the District and RMA during the intervening years. In 2003, as the south reached the housing count trigger requiring construction of the crossing, RMA and the current south developer, Reynen & Bardis, agreed to a funding agreement to construct a new pedestrian bridge. In the fall of 2004, the District acted as lead agency in approving a Mitigated Negative Declaration for the Bridge. In the fall of 2005, the District pursued ownership of the underlying land at the bridge site. This action allowed deeds, easements and agreements between the District, RMA, RMCC, PTF and various landowners to be executed to allow construction of the bridge to proceed.

Construction of the bridge was completed in December of 2006. The bridge, constructed by Viking Construction Company, is restricted to pedestrians, bicycles, and golf carts. The bridge will be open 24 hours a day. District Security will patrol the bridge routinely.

SOLID WASTE COLLECTION

Effective November of 2005, residential garbage, recycling and green waste services are provided by the District through a contract with California Waste Recovery Systems (CWRS). The District replaced Sacramento County as the provider of this service. The contract with CWRS provides for additional services at a reduced rate and helps maintain stable rates in the future.

The exit agreement with Sacramento County requires a \$1.00 per month customer surcharge (with CPI adjustment) for continuing services such as integrated solid waste management planning and reporting, clean up of illegal dumping on County roads, post landfill closure maintenance and monitoring, and continued use of Kiefer Landfill.

Collection days are Tuesday, Wednesday, or Thursday, depending on street address. The midweek collection avoids having containers left out by residents traveling over the weekend. Green waste and recycles are collected on alternate weeks, as was with Sacramento County. Garbage is picked up weekly. Hours of collection are no earlier than 7:00 a.m. and no later than 5:00 p.m.

Originally, CWRS planned to remove “universal waste” along with regular household waste. In 2006, new state regulations were enacted which require permits from both the California Integrated Waste Management Board and the State of California Department of Toxic Substances Control. Included in universal waste are items such as batteries (excluding vehicle batteries), televisions, electronic devices such as computers, telephones, answering machines, radios, CD or cassette players, temperature control devices containing mercury, fluorescent lamps, etc.

At the May 15, 2013 District Board meeting, the Board of Directors approved an additional ten (10) year term of the Collection Services Agreement with CWRS.

With the additional contract term, CWRS will be providing some service enhancements, which include: household battery collection, cooking oil collection, e-waste collection, cell phone collection, universal waste collection, and an increase in the allowable volume of large item collection service.

Collection days are Tuesday, Wednesday, and Thursday, depending on your street address. The midweek collection days avoids having containers left out by residents traveling over the weekend. Green waste and recycles are collected on alternate weeks. Garbage is picked up weekly. Hours of collection are no earlier than 7:00 a.m. and no later than 5:00 p.m., unless otherwise noticed.

WATER RIGHTS EXTENSION

In 1975, the State Water Resources Control Board issued a permit to divert water from the Cosumnes River into storage at Rancho Murieta from November 1 through May 31 of each year. Under this permit, a total of 6,368 acre feet can be diverted annually, provided there is adequate flow in the river. Of this total, 3900 acre feet can be put in storage in our reservoirs. The purpose of use includes municipal, recreational, industrial, and irrigation.

The permit stated that water was to be applied to full beneficial use by December 1, 1990. However, on request in 1982, the State granted a ten-year extension of time for use of the water through December 1, 2000. As build-out has been slower than originally anticipated, the District recently applied for a twenty-year extension. The State has approved the petition for extension of time to December 1, 2020.

CEASE AND DESIST ORDER 2006

On January 26, 2006, the Regional Water Quality Control Board (Regional Board) approved a Cease and Desist Order (CDO) that requires the Rancho Murieta Community Services District to improve and upgrade various facilities and services.

The CDO specifically addresses four areas of concern: odor complaints related to golf course irrigation, responsibility of the Rancho Murieta Country Club (RMCC); possible groundwater contamination, responsibility of Rancho Murieta Community Services District; storage capacity issues at the wastewater treatment plant, responsibility of the Rancho Murieta Community Services District; and overflow of golf course irrigation ponds during winter storms, responsibility of Rancho Murieta Country Club.

On August 23, 2007, the District began the Van Vleck Ranch Temporary Irrigation Project, which helped reduce the excess storage wastewater to less than 10-acre feet. On October 10, 2007, the stored volume was 95-acre feet. On October 22, 2007, Sacramento County Board of Supervisors approved an extension of this Use Permit to allow irrigation on the Van Vleck Ranch until December 31, 2009.

On December 21, 2007, the District submitted the Background Groundwater Quality Study and Degradation Assessment Report.

The District finished complying with the requirements of the CDO on January 31, 2008.

DEVELOPMENTS

The Lakeview development received Sacramento County approval in 2007.

The Riverview development received Sacramento County approval in June 2007.

The Residents & Retreats received Sacramento County approval in October 2007.

FINANCIAL SERVICES AGREEMENT

The District terminated Financial Service Agreement (FSA) negotiations with developers in April of 2008. Negotiations began again in February of 2009 after an agreement was reached for the developers to reimburse the District for legal fees already incurred related to the FSA negotiations and for future legal fees related to the FSA negotiations.

The District again terminated FSA negotiations in August of 2009 until additional money is deposited to cover reimbursement to the District for legal fees.

VAN VLECK EMERGENCY PROJECT

The District filed an extension to the Waste Discharge Requirements (WDR) WDR R5 2007-0109, by the Central Valley Regional Water Control Board on August 2, 2008, which was approved by the Sacramento County Board of Supervisors on August 22, 2008. This would extend the User Permit from 2009 to 2012.

PLACEMENT OF EMERGENCY RESPONDER RADIO EQUIPMENT

In 2008, the District entered into a lease agreement with Sacramento County, Office of Communications & Information Technology for placement of emergency responder radio transmission equipment installed on the water tower. The District also entered into a Sacramento Regional Radio Communications System Licensing Agreement whereby the County of Sacramento grants the District use of radios and the radio transmission equipment installed.

INTEGRATED WATER MASTER PLAN

The District contracted with HDR Engineering in March of 2005 to prepare an Integrated Water Master Plan (IWMP). The final report was completed in November of 2006 and appendices in May of 2007.

In November of 2009, the District contracted with Brown and Caldwell to update the IWMP due to recent changes in State legislation regarding water use targets and greenhouse gas emissions, federal and state guidance regarding recycled water, and to address climate change risks by modeling future droughts' estimated impacts on the District's water supply reliability. The IWMP Update was completed in October of 2010. The 2010 IWMP Update is an update that fully replaces the IMP that was issued in 2006.

2020 COMPLIANCE PLAN

The District contracted with Brown and Caldwell in November of 2009 to develop a 2020 Compliance Plan to help meet new mandates for water conservation that have been incorporated into recent state legislation. The Water Conservation Act of 2009 is legislation passed as Senate Bill X7-7 (SB7). Enacted in November 2009 by California lawmakers, SB7 requires water suppliers throughout the state to decrease per capita urban potable water use by ten percent (10%) by December 31, 2015 and by twenty percent (20%) by December 31, 2020. The 2020 Compliance Plan was completed in September of 2010.

MAIN LIFT NORTH REHABILITATION PROJECT

The Main Lift North sewer pumping station (MLN) is the largest in the District, pumping an average of 325,000 gallons of sewage a day to the Wastewater Treatment Plant. MLN receives sewage from the surrounding community into two (2) wet wells, each feeding its own pump. A third wet well was constructed for future expansion of the facility but is not currently in service.

To maintain the long term operation of the station, rehabilitation to the wet wells and upstream manholes is necessary to prevent further corrosion, as well as replacing damaged structures and appurtenances, where necessary.

The first step involves a corrosion expert to evaluate the existing concrete and structures and provide recommendations on how to proceed. Based on this evaluation, HDR would then provide plans and specifications for the rehabilitation of the station's wet wells and two (2) manholes located upstream of the station.

WATER TREATMENT PLANT EXPANSION PROJECT

Due to our nearly 40 year old water treatment plant (WTP) approaching the end of its useful life The District designed the Water Treatment Plant Expansion Project (WTP) expansion back in 2003 for the

full build out scenario known then. In 2005, those plans were updated, primarily to bring the specifications current. Since that time, the plans and specs have been on the shelf. As part of the 2013 Financing and Services Agreement negotiations, the current thinking was to redesign the 2003 plans to downsize the expansion to only accommodate 670 units (NIC an additional 50 EDUs of public use).

Rich Stratton, our original design project manager with HDR, would work with the District on evaluation the maximum capacity that can be built in the WTP 1 footprint and various upsizing and phasing scenarios.

The District decided that a technology upgrade utilizing enhanced submerged membranes is the best approach for the future. This approach will provide enhanced water quality as well as provide for expansion of processing capacity when required and funded by the benefitting party. Our plan is to have the upgraded system in operation by the summer of 2015. To date, we have initiated activity in two (2) areas. HDR, Inc. (our Engineer) is providing plant design services along with detailed plans/specifications for the plant along with a detailed cost estimate. We also brought on board a "Construction Manager at Risk", Roebbelen Construction Management Services, Inc, whose specific tasks are to develop an integrated schedule, provide independent cost estimates, develop work packages/contracts for the actual construction effort, conduct the competitive public bid process for the performing trade contractors and manage the construction effort.

We are replacing an existing plant and modernizing it to current technology and, as such, current residents have a responsibility for that portion of the cost. The funding of the cost is proposed to be accomplished utilizing reserves and a long term bank loan. This is expected to add not more than a few dollars per month to future bills. In addition, the District has commitments from the development community to fund their share of the effort, which will be contractually documented. Therefore, at present, the District has no need or intent to pre-fund any developer costs as the developers will pay their allocated share.

AUGMENTATION WELL PROJECT

Rancho Murieta Community Services District (District) is working with Dunn Environmental Inc. and Frederick Well Drilling to drill two (2) test wells in search of a potable water augmentation supply. Our goal is to find a 600 acre-feet augmentation supply (a 372 gallon per minute well) for our potable water system. This initial work is to determine the geology of the area to see if the test wells may

provide water and to obtain preliminary water samples if water is present. The test hole borings are on the Anderson Ranch.

The Initial Study and Mitigated Negative Declaration was put out for review and public comment in February 2014.

NEW NORTH GATE

In September 2013, Rancho Murieta Association sent a request to the District to contribute \$194,530 towards the new North Gate. The District responded that since the District is only tenants, the District will only fund interior fixtures, furniture and equipment. All other building components must be included as part of the basic building package. Construction of the North Gate was completed and the North Security Gate Use Agreement signed August 1, 2015.

WATER TREATMENT PLANT UPGRADE AND EXPANSION PROJECT

On August 21, 2013, the Board of Directors authorized negotiations for a contract with Roebbelen Construction Management Services, Inc., for construction manager at risk services for the Water Treatment Plant Upgrade and Expansion Project. The Board approved the contract with Roebbelen Construct Management Services, Inc. for Construction Manager at Risk Services at the September 18, 2013 Board Meeting. The start date for the Project was May 29, 2014 and completed in May 2016.

Also on August 21, 2013, the Board of Directors approved the proposal from HDR for California Environmental Quality Act (CEQA) services related to the water treatment plant expansion.

As part of the work necessary to complete the design of the Water Treatment Plant #1 Expansion Project, Youngdahl Consulting Group, Inc. updated their 2003 engineering recommendations and reviewed site preparation and grading, design criteria for footings, seismic design criteria, explanation of limitations, and a design for a retaining wall on south side of the drying beds. This information was added in to the HDR design specifications for the Water Treatment Plant Expansion Project.

FINANCING AND SERVICES AGREEMENT SUMMARY

The purpose of the FSA was to finance, design and construct water treatment and recycled water facilities to serve existing and proposed development in the District. The initial core capacity of the water treatment facilities was approximately 3.5 million gallons per day (“mgd”). This total initial

capacity is expected to be sufficient to serve approximately 1685 EDU's and accommodate existing and anticipated future development. The water treatment facilities will be expandable to accommodate additional future development.

The estimated cost of the water treatment facilities was approximately \$6.5 million dollars, all subject to later confirmation and competitive bids. To fund the core facilities, the District used approximately \$1.5M from existing reserves and the \$4.1M of the prior Letter of Credit ("LOC").

The FSA provides for developer funding participation by their election at the outset to being either a "participating" or "reimbursing" landowners owners (at their choice) for design and construction. Participating owners advanced the costs and will be reimbursed later from reimbursing landowners. All landowners will be responsible to pay their pro-rata cost share per the FSA. Two properties, Riverview and Lakeview, satisfied their obligations by a prior Letter of Credit (LOC). The Board direction implemented was for the District to proceed; in advance of developers. By proceeding in advance of the developers, the District accessed the LOC, and the District operated similar to a "participating" landowner for which it may seek reimbursement.

The FSA provided for payment of certain fees. There is a \$225 per EDU one time irrigation facilities maintenance fee to cover District maintenance costs pending build out. There is a \$7,771 per EDU Bundled Fee, which includes a water augmentation fee (subject to credit for installation of "purple pipe" for reclaimed water), capital improvements fee, water meter fee, water and sewer inspection fees, and security fee. There is also a \$5,900 per EDU reimbursement fee to reimburse prior developers for prior infrastructure.

The FSA also provides that there will be no service for delinquent landowners. The FSA runs with the land and reimbursement rights are personal. The FSA has a 30-year term. Upon execution of FSA, \$109,000 in prior legal fees due the District was released from escrow to the District pursuant to a Developer Deposit Agreement entered into in July of 2011.

RECYCLED WATER STANDARDS

The Board adopted the Recycled Water Standards, prepared by Kevin Kennedy, AECOM, at the October 16, 2013 Board Meeting. The purpose of this document is to establish standard procedures, specifications and limitations to ensure the health, safety, and general welfare of the citizens of Rancho Murieta when using recycled water, consistent with the laws and regulations of the State of

California and County of Sacramento. The Recycled Water Standards (Standards) have been developed to ensure uniformity in design concepts, format, methodology, construction materials, and quality of work products of the facilities associated with the expanded recycled water system.

It is the intent of this document to ensure compliance with the Rancho Murieta Community Services District (District) Code and other governing policies, instructions, and regulations related to the use of recycled water.

These standards will be used by developers to design their internal subdivisions or commercial irrigation facilities.

FINANCIAL RESERVES STUDY

The Board approved the proposal from Association Reserves to conduct a financial reserve study of the District. The study was completed and presented to the Board at the March 18, 2015 Board Meeting. This report all the fundamental information needed to understand the District's current and future reserve obligations and the most significant expenditures the District's Administration Department will face. In this report you will find a list of what the District is reserving for, an evaluation of the reserve fund size and strength, and a recommended multi-year reserve funding plan

COMMUNITY FACILITIES DISTRICT #2014-1

The CFD 2014-1 is a special assessment district created under the Mello-Roos Community Facilities Act of 1982. It is basically a financing alternative for public improvements and facilities, which in our case is the Water Treatment Plant #1 Expansion. The money needed to pay for the improvement or facility is often obtained by creating tax exempt bonds that are sold to investors. A Community Facilities District, or CFD, is formed to issue and manage these bonds throughout their life cycle. There is no cost to you, the existing Rancho Murieta residents, for creating this CFD 2014-1, for its on-going annual administration, or for the payment of the associated Mello-Roos taxes.

The CFD 2014-1 was formed to allow the property owners of the undeveloped lands within Rancho Murieta to finance their monetary obligation of \$4,358,245 for 1.5 million gallons per day of treated water towards the construction of the Water Treatment Plant #1 Expansion using tax exempt bonds. As of January 29, 2015, the District has access to this full amount to pay the developer's one-third share of the project construction costs.

The CFD 2014-1 does not affect the water rates or property taxes paid by existing Rancho Murieta residents. The District is obligated to pay one third of the cost of the Water Treatment Plant #1 Expansion, or \$4,358,245, to replace the 1.5 million gallons per day of water treatment capacity provided by the old water treatment plant. The District approved financing this obligation by using \$1,358,245 from Water Capital Replacement Reserves and internally borrowing the balance of \$2,000,000 from other reserves.

The remaining one-third share of the project construction costs is paid for by the Letters of Credit posted several years ago by Reynen & Bardis for the South developers' obligation to construct a water treatment facility with capacity to provide 1.5 million gallons per day of treated water. These Letters of Credit were posted to cover the funding shortfall of the CFD #1 bond financing that was assessed to Rancho Murieta South properties. The CFD #1 bonds were paid two (2) years early in October 2013.

The table below shows how the projected project cost of \$12,852,589 for 5.0 million gallons per day of treated water is allocated between the three participating entities:

	Project Cost	Source of Funding
District	\$ 4,358,245	Reserves & Inter-fund Borrowing
CFD #1	\$ 4,136,099	Letter of Credit (Reynen & Bardis)
CFD 2014-1	<u>\$ 4,358,245</u>	Tax Exempt Bonds
Total cost	<u>\$12,852,589</u>	

WASTE DISCHARGE REQUIREMENTS AND MASTER RECYCLING PERMIT

The Report of Waste Discharge (RWD) was submitted in support of consolidating Waste Discharge Requirement (WDR) R5-01-124 and WDR R5-2007-0109 into a renewed Waste Discharge Requirement for the Rancho Murieta Community Services District's Wastewater Reclamation Plant and new Master Reclamation Permit to cover the use of recycled water within the District's service area. The Regional Board approved the Waste Discharge Requirement (WDR) and Master Reclamation Permit for the District on December 4, 2014.

This Permit allows for the District to become sole controlling agency responsible for recycled water use within the District and approved areas with oversight by Regional Board and EPA. Expansion of recycled water use within the District includes public area landscape irrigation such as parks, sports, fields, common areas, commercial and street landscaping, and ancillary uses of future residential

developments, front and backyard residential landscape irrigation in specified areas, dust control, and expansion of Van Vleck Rancho area from 96 acres to 282 acres. The District will no longer need to monitor groundwater.

SOLAR POWER

At the September 2015 Board meeting, the Board of Directors adopted Resolution R2015-13, approving Solar Power Purchase Agreements and Performance Guarantee Agreements with SolarCity Corporation. The Initial Study/Mitigated Negative Declaration (IS/MND) was completed, sent out for review to all interested parties in March of 2016, and adopted by the Board at the April 20, 2016 Board meeting.

The solar power at the Wastewater Treatment Plant Site, which supplies power for the wastewater facility, the administration building and the Field Operations warehouse, became active in August of 2017. The solar power at the Water Treatment Plant Site was completed in October 2017.

LAGUNA JOAQUIN

On August 3 and 4, 2017, the District treated Laguna Joaquin with copper sulfate granules, which was a normal treatment for algae in the cove where Rancho Murieta Association (RMA) has a common area irrigation pump. As a result of low dissolved oxygen due to dead algae, low water levels, and warm water temperatures on August 11 – 13, 2017, a large number of fish in Laguna Joaquin died. Many man hours of staff time were required to clean up the lake.

Over the next few days, dissolved oxygen levels rose in the lake and no more fish died. CIA ditch water was returned to the lake which helped increase dissolved oxygen levels and improved the water quality.

As the lake levels neared fill stage, we opened the lake drain valve and continued to feed in CIA Ditch water to flush the lake and to improve water quality. Dissolved oxygen levels continue to be at normal levels generally near or above 10 mg/l.

CIA Ditch water flows into the lake were suspended September 4-18, 2017 to complete remedial work on the headwall entrance structure to the new pipe. Restarting flows into the lake occurred September 18, 2017.

District staff has been meeting weekly with RMA representatives and John Sullivan, representing CIA ranch interests, on short term measures to improve water quality this fall.

As a result of inordinately high river flows later this season, we are planning a one – off and rare opportunity to significantly lower lake levels for lake maintenance during the week of September 25-29, 2017. Work will include shoreline maintenance and cleaning and vegetation removal. To the extent possible, the lake bottom will be cleaned.

Freshwater Fish of Elk Grove restocked Laguna Joaquin with 500 Catfish on October 24, 2017. The Bass will be restocked in the spring, once the Catfish have matured.