



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)

Regular Meeting

July 2, 2019 at 10:00 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. **Six Dollar Interfund Payment**
4. **Pun Group Financial Services Update**
5. **General Manager's Reserves Spending Authority**
6. **Increase to Interest Rate Charged on Delinquent Charges and Special Taxes**
7. **Directors and Staff Comments/Suggestions [no action]**
8. **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 June 28, 2019. Posting locations are: 1) District Office; 2) Post Office; 3) Rancho Murieta Association; 4) Murieta Village Association.

MEMORANDUM

Date: June 26, 2019
To: Finance Committee
From: Tom Hennig, Director of Administration
Subject: Approval of General Manager's Reserve Fund Expenditures

RECOMMENDED ACTION

Consider approving General Manager's authority to expend reserve funds up to \$25,000 without requiring prior Board approval to send to the Board of Directors for consideration at the July 17, 2019 Regular Board Meeting.

BACKGROUND

It has been standard practice for years to require staff to bring any amount of reserves expenditures to the Board for approval. Board members have commented that it may be more reasonable to set a limit over which staff must bring reserve expenditure requests to the Board for approval. At the June 19, 2019 Regular Board meeting, the staff were directed to provide additional details and take a recommendation to the Finance Committee for further review.

Staff has researched this matter extensively and have found no language in District Policy or District Code requiring that all reserve expenditures be approved by the Board. District Operating Fund and Reserve Fund Policy #2012-07 is mute on this issue. The District General Manager is currently authorized to expend *unrestricted* funds up to \$25,000 without prior Board approval.

We also evaluated the number of times the Board has received requests to spend Reserve Funds from January 2013 through June 2109. During this period, the Board approved 141 requests for reserve spending. The table below summarizes these actions.

Amount	Number	Total
\$0 to \$15,000	63	\$461,510
\$15,001 to \$25,000	20	\$408,861
\$25,001 to \$50,000	23	\$860,512
\$50,000 to \$100,000	20	\$1,375,552
\$100,001 to \$2,173,800	15	\$5,405,520

Since the current informal policy on reserve expenditures does not appear to be a written one, one approach is for the Board to indicate their level of comfort in allowing the General Manager discretion to expend reserve funds up to a certain limit. The limit could be set the same for reserves as is currently set for unrestricted funds, \$25,000. If this limit had been in place on January 1, 2013, the General Manager would have approved 83 items, for a total of \$870,371. Setting the limit to \$25,000, would also have saved hundreds of hours of Board Director and District staff time. This change will also greatly reduce the amount of time it takes to address replacement or repair of critical systems throughout the District. These delays often create greater damage during the weeks necessary to gain Board approval once bids have been evaluated and decisions made.

If this request is approved, staff will add a section in the monthly financial reports to reflect all reserve expenditures which were not taken to the Board for approval.

MEMORANDUM

Date: June 27, 2019
To: Finance Committee
From: Tom Hennig, Director of Administration
Subject: Increase Interest Charges for Delinquent Accounts

RECOMMENDED ACTION

Consider approving recommendation to increase delinquent account interest charges from 0.5% to 1.0% to send to the Board of Directors for consideration at the July 17, 2019 Regular Board meeting.

BACKGROUND

A request to evaluate the potential to increase the interest charge amount originated when District staff provided a detailed accounting of the high amount of delinquent accounts reported at the May 15, 2019, Board meeting. After a short discussion amongst Board members, the staff was requested to evaluate the possibility of increasing the current 0.5% delinquent account fee. The Board wanted to decide if the current fee was in the best interest of the District and its rate payers. On June 17, 2019, after reviewing the staff memo, the Board agreed that staff should provide a proposal to the Finance Committee, to increase interest charges for delinquent accounts from 0.5%, to 1.0%. As discussed at the June 17, 2019, Board meeting, all current past due accounts, incur 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 fNo. 96-3)

RELATED STATE AND DISTRICT CODE

For fees and charges, the maximum penalty and interest are provided by Government Code Section 61115(a)(3)(C). This authorizes "a basic penalty for the nonpayment of charges of not more than 10%, plus an additional penalty of not more than 1% 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 also 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

Based on the discussion and possible direction from the Finance Committee, staff is prepared to place a request to increase the delinquent account interest rate from 0.5% to 1.0%, onto the Regular Board agenda for July 17, 2019.

ORDINANCE NO. O2019-03

AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE RANCHO MURIETA COMMUNITY SERVICES DISTRICT, AMENDING DISTRICT CODE CHAPTER 14 RELATING TO INTEREST RATE ON DELINQUENT WATER SERVICE CHARGES; CHAPTER 15 RELATING TO INTEREST RATE ON DELINQUENT SEWER SERVICE CHARGES; CHAPTER 16A RELATING TO INTEREST RATE ON DELINQUENT DRAINAGE SPECIAL TAXES; CHAPTER 21 RELATING TO INTEREST RATE ON DELINQUENT SECURITY SPECIAL TAXES; AND CHAPTER 31 RELATING TO INTEREST RATE ON DELINQUENT SOLID WASTE COLLECTION AND DISPOSAL SERVICE CHARGES AND COLLECTION THROUGH THE COUNTY TAX ROLL

The Board of Directors of the Rancho Murieta Community Services District ordains as follows:

SECTION 1. Purpose and Authority. The purpose of this ordinance is to increase the interest rate on delinquent District water, sewer and solid waste collection and disposal service charges and drainage and security special taxes from 0.5% to 1% per month. Government Code section 61115(a)(3)(C) authorizes the District to impose “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 Board desires to increase the interest rate on delinquent service charges and special taxes to the full 1% per month authorized by state law. The ordinance also provides for the District to collect delinquent solid waste service charges on the County tax roll as authorized by state law.

SECTION 2. Service Charge and Tax Adjustments; District Code Amendments

- I) The Water Code, Chapter 14, Section 9.06 Delinquencies – Basic Penalty is amended to read as follows:
 - a. A one-time basic penalty of ten percent (10%) of the delinquent service charges shall be added to each delinquent bill for the first month the bill is delinquent.
 - b. After levying the basic penalty provided in Section 9.06(a), the District shall thereafter levy an additional penalty of one percent (1%) 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 for collection on the County property tax roll as set forth in Section 9.09. Monies paid when any portion of an account is delinquent shall first be credited to interest and penalties, then to the delinquent portion of the bill, and then to the current portion of the bill.
- II) The Sewer Code, Chapter 15, Section 7.10 Delinquency Penalty is amended to read as follows:
 - a. A one-time basic penalty of ten percent (10%) of the delinquent charges shall be added to each delinquent bill for the first month the bill is delinquent.
 - b. After levying the basic penalty provided in Section 7.10(a), the District shall thereafter levy an additional penalty of one percent (1%) 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 for collection on the County property tax roll as set forth in Section 7.13. Monies paid when any portion of an account is delinquent shall first be credited to interest and penalties, then to the delinquent portion of the bill, and then to the current portion of the bill.

III) The Drainage Special Tax, Chapter 16A, Section 4.00 Collection is amended to read as follows:

- a. The drainage tax shall be collected with other monthly District taxes, fees and charges and shall be subject to the same penalties for nonpayment as other monthly District taxes, fees and charges. A special tax bill is delinquent if not paid and received at the District office by the 25th day of the month following the month in which the bill was mailed.
- b. A one-time basic penalty of ten percent (10%) of the delinquent taxes shall be added to each delinquent bill for the first month the bill is delinquent.
- b. After levying the basic penalty provided in Section 4.00(b), the District shall thereafter levy an additional penalty of one percent (1%) per month to all delinquent taxes and basic penalties remaining unpaid, until and unless the Board requests the County Auditor to include the amount of all delinquent taxes and penalties for collection on the County property tax roll as authorized by section 4.00(a), chapter 14, section 9.09, and chapter 15, section 7.13. Monies paid when any portion of an account is delinquent shall first be credited to interest and penalties, then to the delinquent portion of the bill, and then to the current portion of the bill.

IV) The Security Code, Chapter 21, Section 7.01 Penalty for Late Payment is amended to read as follows:

A one-time basic penalty of ten percent (10%) of the delinquent taxes shall be added to each delinquent bill for the first month the charge is delinquent. Thereafter, an additional penalty of one percent (1%) per month shall be added to all delinquent taxes and basic penalties remaining unpaid, until the District requests the County Auditor to include the amount of the delinquent taxes and penalties for collection on the County property tax roll as set forth in Section 7.03. Monies paid when any portion of an account is delinquent shall first be credited to interest and penalties, then to the delinquent portion of the bill, and then to the current portion of the bill.

V) The Solid Waste Collection and Disposal Code, Chapter 31, Section 4.03 (Collection Rates and Billings), subsection (f), is amended as to read follows:

f. Delinquency Penalty

1. A one-time basic penalty of ten percent (10%) of the delinquent service charges shall be added to each delinquent bill for the first month the bill is delinquent.
2. After levying the basic penalty provided in Section 4.03(f)(1), the District shall thereafter levy an additional penalty of one percent (1%) 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 for collection on the County property tax roll as set forth in Section 4.03(g). Monies paid when any portion of an account is delinquent shall first be credited to interest and penalties, then to the delinquent portion of the bill, and then to the current portion of the bill.

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Section 4.03, Collection Rates and Billings, subsection (g) is added to read as follows:

g. Collection of Delinquent Charges on County Tax Roll

All rates, charges, penalties, and interest, which remain delinquent, may be collected on the County property tax roll in the same manner as property taxes in accordance with Government Code section 61115(b), provided that the District shall first have given the property owner notice and an opportunity to be heard as provided by law. After delinquent amounts have been turned over to the County Auditor for collection, no payment shall be received by the District on the delinquent amounts except as collected by the County Tax Collector.

SECTION 3. Superseder. This ordinance supersedes prior inconsistent District ordinances, resolutions, policies, rules, and regulations concerning the subject matter of this ordinance.

SECTION 4. Effective Date. This ordinance shall take effect 30 days after its adoption.

SECTION 5. Severability. If any section or provision of this ordinance or the application of it to any person, transaction or circumstance is held invalid or unenforceable, such invalidity or unenforceability shall not affect the other provisions of this ordinance that can be given effect without the invalid or unenforceable provision, and to this end the provisions of this ordinance are declared to be severable.

SECTION 6. Publication. The District Secretary is directed to publish this ordinance once in a newspaper of general circulation published in the District within 15 days after the adoption of the ordinance.

INTRODUCED by the Board of Directors on the 17th day of July 2019.

PASSED AND ADOPTED by the Board of Directors of the Rancho Murieta Community Services District, Sacramento County, California, at a meeting held on the 21st day of August 2019, by the following roll call vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Les Clark, President of the Board
Rancho Murieta Community Services District

[seal]

ATTEST:

Suzanne Lindenfeld, District Secretary