



Rancho Murieta Community Services District

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Visit our website www.rmcsd.com

June 12, 2023

Dear Rancho Murieta community Residents;

The Directors of the Rancho Murieta Community Service District Board (District) would like to update you regarding the Sacramento County Civil Grand Jury Report ([2022-3023 Grand Jury Report Rancho Murieta Community District Services](#)).

As required by the Grand Jury, the District's legal counsel has submitted the District's official response to the Grand Jury's presiding judge, the Honorable Michael Bowman.

The Board, however, wants to provide a more detailed response to the community so the community members are more fully informed of the findings, the district's decisions, and the district's actions over the years leading up to the grand jury investigation. To that end, I'm sharing a list of the **Grand Jury's Findings and Recommendations** in this document, along with brief histories on each finding and an update on the efforts made to date by the District to remedy each finding.

I would like to thank the members of the Sacramento County Civil Grand Jury for their time, effort, understanding, and willingness to listen to and ask pertinent questions, in order to gain knowledge of the Rancho Murieta community and the specific responsibilities and mission of the District. Their commitment to a thorough fact-finding process to obtain an accurate understanding of District operations was clear.

Some District staff and board members participated directly in the interview process with the Civil Grand Jury as part of the overall evaluation and I'm also grateful for their contributions to the process.

The District directors and staff greatly appreciate the integrity of the Grand Jury report, which correctly identifies many issues facing the District which the current directors have been working on over the last several years. Perhaps the most important of these issues is the significant shortfall in reserve funding needed to replace plant equipment before it breaks or becomes obsolete. Functional plant equipment is the most critical component of our service delivery model. These findings will serve as a "road map" for the District for the next several years, guiding our commitment to stronger accountability and the essential financial planning for equipment replacement and upgrades.

We sincerely hope to restore the community's trust and understanding in the District by demonstrating good faith efforts currently underway. We will communicate extensively on our progress through established public forums, the District website, board and committee meetings, town hall meetings, updates in the local print media, and, when appropriate, individual meetings with members of the public.

We appreciate your support as we address these issues.

Sincerely

Timothy E. Maybee
President, Rancho Murieta Community Services District Board

Serving the Community for over 30 years

Board of Directors: Tim Maybee, President • Martin Pohll, Vice-President • Randy Jenco • Linda Butler • Martin Pohll • Stephen Booth
General Manager • Mimi Morris

RANCHO MURIETA COMMUNITY DISTRICT REPORT TO THE COMMUNITY REGARDING 2022-2023 GRAND JURY REPORT

FINDING # 1: THE DISTRICT BOARD HAS LOST THE TRUST OF THE COMMUNITY TO MAKE PRUDENT FINANCIAL DECISIONS.

GRAND JURY RECOMMENDATION: The District board should upgrade the District's billing and accounting system with the new Enterprise Resource Planning (ERP) accounting system by January 1, 2024.

DISTRICT RESPONSE, IN BRIEF:

The first phase of implementation of the new ERP started the week of May 1st, 2023. The implementation will continue in stages as District employees are trained and fiscal information is available to populate the specific programs within the system.

DISTRICT RESPONSE, DETAILED:

The Board regrets any loss of trust that may have occurred and is committed to working to restore full trust in the organization. Significant issues have faced the organization including an antiquated accounting system, high employee turnover, and insufficient resources to replace outdated equipment. The current Board knew the challenges they faced when they assumed their role and began to work to correct the District's financial well-being as soon as they took office.

As long ago as the 2018 District Board election, candidates identified the need for funding reserve accounts and indicated a better understanding of how security services were provided and funded was critical. Upon election, Board members understood more fully that reserves were not being funded adequately on a regular basis and property taxes were being used to fund additional security services outside of Measure J.

The new Board members also realized that little work had previously been done to correct these critical funding issues. This knowledge prompted the Board to set as its priority closing the reserve gap.

The current Directors understood their responsibility to make difficult fiscal decisions, and, at the first opportunity, took action to attempt to correct the issue, committing for the first time ever a dedicated amount of funding to the reserve funding accounts. This happened as part of the FY21-22 budget in which the Board added additional charges to monthly residential bills totaling approximately \$210,000 annually for water reserve funding, and \$243,000 for wastewater reserve funding.

Community distrust was understandable due to the accounting system hurdles which led to such red flags as missed deadlines for required annual audits. Directors initiated work to procure and implement a new ERP in March of 2020.

FINDING # 2: THE CURRENT ACCOUNTING SYSTEM IS INADEQUATE TO MEET THE LEGAL REQUIREMENTS RELATED TO FINANCIAL REPORTING TO THE PUBLIC WHICH HAS RESULTED IN TWO LEGALLY REQUIRED FINANCIAL AUDITS BEING OVERDUE.

AND

FINDING # 3: THE LATE AUDITS, COMBINED WITH THE UNRELIABLE EXISTING ACCOUNTING SYSTEM, HAVE CREATED AN ENVIRONMENT THAT EXPOSES THE DISTRICT TO A HIGH RISK OF FRAUD

AND

FINDING # 4: THE DISTRICT BOARD CANNOT EXPECT TO RECOVER PUBLIC TRUST SUFFICIENT TO PROPOSE ANY TAX/FEE INCREASES UNTIL IT REPLACES ITS ANTIQUATED BILLING AND ACCOUNTING SYSTEM TO PRODUCE RELIABLE BILLINGS AND FINANCIAL RECORDS.

GRAND JURY RECOMMENDATIONS RELATED TO THESE FINDINGS:

#R2: The District board should ensure that the audit for FY20-21 is completed no later than April 1, 2023, and the FY21-22 audit by September 1, 2023.

#R3: The district Board should task its ERP consultant to implement a program to fully train District accounting staff on this new accounting system and prepare new accounting manuals acceptable to the General Manager or designee by January 1, 2024.

#R4: The District Board should retain a controller to ensure proper accounting procedures are followed and the integrity of the accounting data is maintained by January 1, 2024.

#R5: The District needs to ensure invoices are tracked within the accounting system and that the accounts payable listing be generated on a monthly basis by September 1, 2023.

DISTRICT RESPONSE, IN BRIEF:

R2. The District agrees that annual audits are critical and need to be completed as soon as possible. FY20-21 financial information was provided to the auditor in April and May of 2023. Financial information for FY21-22 will be provided to the auditor by October 1, 2023. Financial information for the FY22-23 will be submitted to Richardson and Associates (Richardson) by December 1, 2023. Typically, an audit is performed 6-9

months after year end, making a “normal” FY21-22 audit completion around March of 2023. Because FY20-21 was not audited in a timely manner, it has impacted the FY21-22 timeline, but the District will get back on track by early 2024.

R3. The District agrees that the new accounting system must be a priority and has hired a new General Manager who will ensure that the ERP implementation is moving forward. The process requires analyses of existing processes and procedures for each module and corresponding configuration of the system, data transfers to the new system and staff training. Full implementation is projected to be completed by December 2024.

R4. The District agrees that staff with sufficient financial management expertise must be on board and contracted the services of the national firm Municipal Resource Group (MRG) to recruit key staff positions, including a Controller/Accounting Manager.

R5. The District agrees that a system to track invoice payments is critical. An outside accounting firm evaluated the District’s Invoice Processing Procedures and staff initiated new invoice processing procedures that will be in place until the new ERP system is implemented. The new procedures ensure accountability for all payments and corresponding separation of duties for improved internal control.

DISTRICT RESPONSE, DETAILED:

The District is required to have two annual audits: one for the general district operations and one for community facilities. These are referenced as the Community Services District (CSD) audit and the Community Facilities District No. 2014-1 (CFD), respectively.

FY20-21 CSD: Financial information was submitted to Richardson in late May, 2023.

FY20-21 CFD 2014-1: Financial information was submitted to the external, contracted auditing firm, Richardson in April of 2023.

FY21-22 Financial information for both audit areas will be submitted to Richardson by October 1, 2023.

FY22-23 financial information for both audit areas will be submitted to Richardson by December 1, 2023.

The Board agrees annual audits are and are an important part of financial management. We regret that the audits for FY 20-21 and FY21-22 have not yet been finalized. Typically, an audit is performed 6-9 months after year end, making a “normal” FY21-22 audit completion around March of 2023, roughly the same time the Grand Jury Report was released. The delayed closure and audit of FY20-21 impacted the FY21-22 timeline, making the audit late by 3-6 months. The District is working to get all audits back on track by early 2024.

In April of 2019, the Board hired the PUN Group to streamline and simplify the accounting and reporting processes. In April of 2020, the FY18-19 CSD audit revealed significant deficiencies and material weaknesses due to the District’s antiquated accounting system and corresponding procedures. In early 2021 the Board established the goal of replacing the accounting system.

The Board is committed to finalizing the two overdue audits (FY20-21 and FY21-22) as soon as possible. The limitations of the current accounting system are the major hurdle to finalizing the prior year audits. In 2022, the District again engaged the services of the Pun Group to validate and close out prior years' books so the audits can be performed and finalized. The FY20-21 audit is expected to be finalized by August 1, 2023, and the FY21-22 audit is expected to be finalized by April of 2024.

An effort to replace the old system with a more functional, more reliable, and more automated system has been a goal since 2021 and the solicitation for that system was initiated in Spring of 2021. A vendor was selected in Fall of 2021 and in January of 2022, Tyler Technologies began the process of developing a comprehensive Enterprise Resource Program (ERP). The ERP includes several key modules, which must be configured to match District policies and procedures. The first module (on Utility Billing) was implemented in April of 2023. The remaining modules are targeted for completion by December of 2024. The implementation will include comprehensive training for district accounting staff and all relevant system documentation including accounting manuals to ensure successful continuity of usage. The District has hired a new General Manager who is ensuring that the ERP implementation is moving forward. The implementation process requires analyses of existing processes and procedures for each module and corresponding configuration of the system, data transfers to the new system and staff training. Full implementation is projected to be completed by December 2024.

The District agrees that the need to have strong internal controls and capable staff is critical for effective, risk-free operation of the organization. The District has contracted the services of the national firm Municipal Resource Group (MRG) to recruit key staff positions, including a Controller/Accounting Manager. The goal is to hire an individual with strong financial management skills to ensure proper accounting procedures are established and followed to guarantee the integrity of the accounting data.

The District's Invoice Processing Procedures have been evaluated by the Pun Group. New processes have been put in place and mapped to the new ERP system to ensure accountability for all payments and corresponding separation of duties for improved internal control. An Accounts Payable report will be generated each month for the General Manager's review by September 1, 2023.

FINDING # 5: THE DISTRICT HAS AT TIMES TAKEN ACTIONS AGAINST STAFF THAT HAS INTERFERED WITH THE OPERATION OF THE DISTRICT.

AND

FINDING # 6: HIGH EMPLOYEE TURNOVER INDICATES POOR EMPLOYEE RETENTION THAT HAS INTERFERED WITH THE OPERATION OF THE DISTRICT.

AND

FINDING # 7: THE LACK OF AN EFFECTIVE SUCCESSION STRATEGY HAS IMPAIRED THE ABILITY OF THE DISTRICT TO MAINTAIN ADEQUATE COMPETENT STAFF WHICH HAS RESULTED IN THE LOSS OF CRITICAL ACCOUNTING SYSTEM KNOWLEDGE AMONG THE DISTRICT STAFF.

GRAND JURY RECOMMENDATIONS RELATED TO THESE FINDINGS:

#R6. The District should create an ongoing training program for the Board and staff regarding the Brown Act compliance, accounting procedures, and work-place practices and behaviors including prevention of harassment in the work environment. This should be fully implemented in 2024.

#R7. The District should adopt a policy to ensure that proposed personnel adverse actions are reviewed by someone not in the chain of command to ensure that proper procedures are followed. In the case of proposed adverse actions by executive staff this could be accomplished through the use of an outside expert in personnel matters or legal counsel.

#R8. The District Board should require administration to report quarterly on staff development and staff identified concerns beginning October 1, 2023.

DISTRICT RESPONSE, IN BRIEF:

R6. The District agrees that an ongoing staff and Board training program regarding Brown Act compliance, accounting procedures, and work place practices and behaviors including prevention of harassment in the work environment should be fully implemented by 2024.

R7. The District also agrees that the organization needs a policy to ensure that proposed personnel adverse actions are reviewed by someone not in the chain of command to ensure that proper procedures are followed.

R8. The District agrees that quarterly reporting on staff development and identified concerns should occur starting in the next few months.

DISTRICT RESPONSE, DETAILED:

The District agrees that good human resources management is important for organizational effectiveness. However, Finding #5 is vague, but can be interpreted to mean that the District has taken improper or ill-advised employment actions in the past that have affected District operations. The Board disagrees with this finding. The Board only has employment authority over the District General Manager. The Board has no employment authority over subordinate District employees as all such authority is delegated to the District General Manager. As to any employment actions taken against subordinate staff by past District General Managers, the Board may not comment on confidential personnel matters, which includes all such employment actions.

The District agrees that trainings are important and will initiate annual Board and staff trainings to address gaps identified in the Grand Jury report.

The Board agrees that high employee turnover has had one of the most significant negative impacts on the District's financial management. The District Board and General Manager will perform employee exit interviews for all departing employees going forward. Key personnel have left the District for a variety of reasons over the last several years, including parental obligations, more competitive pay, shorter commutes, and a more positive work environment.

Critical accounting staffing positions remain unfilled within the District due to difficulties finding qualified candidates. The main reasons given to the District for individuals declining employment offers are a noncompetitive salary, a long daily commute and heavy workload. The District will continue to recruit and train current employees to ensure all staff positions have the right person for the right jobs. The District has and will continue to engage national recruitment firms to assist in the hiring processes.

The necessity of having skilled and knowledgeable accounting staff has been very clear to the Board for over a year. To address these issues, the District has been contracting with national consulting firms, Municipal Resource Group (MRG) and Robert Half and Associates, to assist with both the short term and long-term recruitment of key accounting personnel. Most recently, MRG was instrumental in recruiting the new General Manager.

With the appointment of the new General manager, staff will look to her for leadership and knowledge in governmental accounting which will place the District in a position to establish the needed succession planning, training, recruitment and improve employee morale.

FINDING #8: THE LACK OF AN UPDATED CAPITAL RESERVE POLICY HAS CONTRIBUTED TO POOR MANAGEMENT AND INADEQUATE CAPITAL RESERVE.

GRAND JURY RECOMMENDATIONS RELATED TO THIS FINDING:

#R11. The District Board should revise its current capital reserve fund policy to identify specific funding goals for each capital asset category with supporting fees sufficient to meet the long-term infrastructure needs of the District.

DISTRICT RESPONSE, IN BRIEF.

The Board agrees that service fees sufficient to meet the long-term infrastructure needs of the District are critical and will start this effort with the budget for FY23-24.

DISTRICT RESPONSE, DETAILED.

The Board initiated a reserve study in March 2022. This report identified the critical risk resulting from the District's lack of adequate reserve funding. The critically low reserve funding levels grew over many fiscal years. The Board took action to increase reserve fund levels as soon as it could in FY21-22.

Earlier this year (FY22-23), the Board began the process of updating the District policy relating to reserve funding, as recommended in the reserve study report. However, progress on a revision was limited due to lack of community support for rate increases.

As the District enters FY23-24 the 2012 District Reserve Policy will be updated to reflect the need for reserves that fully cover anticipated future capital outlay needs.

The Board has given direction to staff to start the process for contracting with consulting firms to address both a five-year Rate Study and a cost allocation study for the District. Both of these studies will be finalized in FY23-24.

FINDING #9: THE USE OF COUNTY PROPERTY TAX FUNDS TO SUBSIDIZE ITS GROWING SECURITY COSTS WITHOUT RAISING THE SECURITY FEES HAS JEOPARDIZED THE FINANCIAL STABILITY OF THE DISTRICT.

GRAND JURY RECOMMENDATIONS RELATED TO THIS FINDING:

#R9. The District should reduce its security services funding to a level that is supported by fees paid by residents specific to fund security services.

#R10: Effectively immediately, County tax funds currently allocated to security services, should be redirected to the Capital Reserves.

DISTRICT RESPONSE, IN BRIEF.

The Board disagrees partially with this finding. The Board agrees that, in recent years, security costs have exceeded available existing security special tax revenues. However, the Board disagrees that this issue has jeopardized the financial stability of the District. As discussed in response to Finding 1 above, the Board is reviewing the continued viability of current security service levels due to the insufficiency of existing special tax stream, competing priorities for limited property tax revenue, and District voters not approving new special tax revenues to support security.

R9. The District will work to reduce its security services funding levels to match fees paid by residents starting in FY23-24. The lower level of services will be directly aligned to Measure J tax revenues by FY24-25.

R10. The full use of county tax funds for capital reserves will begin to take effect in FY23-24. With the goal of meeting the Sacramento County Civil Grand Jury's recommendation of \$10 million additional dollars assigned to reserve funding levels.

DISTRICT RESPONSE, DETAILED.

In 1985 residents of Rancho Murieta voted in the Sacramento County election, in favor of ballot [Measure A Text](#). This established the authority for RMCS D security to enforce any Homeowners Association (HOA) covenants, conditions and restrictions (CC&R). This enforcement authority was then adopted in RMCS D Board [Resolution 85-9](#).

In [1998 Measure J](#) was voted and approved ([Measure J election results](#)), during the Sacramento County election. This measure authorized a security revenue tax rate with a maximum of 2% increase per fiscal year. In the 20 years since the passage of Measure J, costs and expectations for security have both increased. The annual 2% increase has not kept pace with the increased costs. This gap led to the use of the property tax allocation to cover the expected security services.

In 2019, the Board and District legal counsel confirmed that the usage of property tax to fund security, while a legally authorized use of these general funds, was not in the best interest of the long term financial health of the District. The Board then began the process of demonstrating the insufficiency of security resources provided by Measure J and also requested an evaluation and update on the District's cost allocation process. A national firm, ClearSource, completed an updated full accounting of all associated costs for security, water and wastewater operations, drainage, administration and trash collection costs.

As it became clear that usage of property tax to cover the insufficiency of Measure J tax revenue for expected security services could no longer continue because of the impact to reserve funding, the Board explored options for more sufficient tax revenue funding to cover the expected security services. The Board gave direction to staff to place a ballot measure on the 2022 Sacramento County election schedule. This Measure, [Measure R](#), would have authorized a special security tax of \$316 per per per parcel with annual increases of up to 5%.

Recognition of the need to revise the way security services were being funded, to address the appropriate legal context of Measure J, began at the [March 26, 2020 Board meeting](#). The Board determined that it was inappropriate to use property tax to fund security services and they would no longer be used.

In February of 2021, the District entered into [contract services to True North Research](#) to research how much residents would be willing to pay for Security. The results from the True North Study came in and the Board asked staff to place Measure R on the ballot on page 6 of [April 2022 Board Packet](#). Staff updated the Board at the [May 2021 Board meeting](#) (p. 142 of Packet)

The District hired Clifford Moss on May 5, 2022 to educate the community on Measure R and the need for alternative tax revenue funding since Measure J does not fully cover the costs of expected security services.

The District held a [Townhall meeting June 22, 2021](#) at RMCC to share the results of the research with the community, including specifically the additional funds that would be required to fund security at its current level without the use of property tax allocations.

There had long been a gap in the funding provided through Measure J and the funding needed for expected security service levels provided by the District. The Board tried to address that gap through Measure R, but Measure R failed in the general election. The final results of the vote for Measure R can be seen on page 47 of the [December 2022 Board Packet](#).

The District is now focused on how to determine what level of security services can be provided within available security resources provided by Measure J and is working with the Rancho Murieta Association (RMA) to map out security service levels.

FINDING #10: THE CAPITAL RESERVES ARE UNDERFUNDED BY OVER \$10 MILLION, JEOPARDIZING THE FINANCIAL STABILITY OF THE DISTRICT.

GRAND JURY RECOMMENDATIONS RELATED TO THIS FINDING:

#R11. The District Board should revise its current capital reserve fund policy to identify specific funding goals for each capital asset category with supporting fees sufficient to meet the long-term infrastructure needs of the District.

DISTRICT RESPONSE, IN BRIEF.

The Board disagrees partially with this finding. The Board agrees that capital reserves are currently underfunded. However, the Board disagrees that this issue has jeopardized the financial stability of the District. As discussed in response to Finding 1 above, the Board believes updating the District's capital reserves policy and adequately funding District reserves are priority issues, but it is not possible to address these issues until the District's larger legacy accounting issues have been addressed.

DISTRICT RESPONSE, DETAILED.

Again in the 2018 District election cycle, then RMCS D Board candidates stated that reserve funding was of high concerns and a top priority. Every fiscal year's budgets since then, the reserves were the highest priorities of the Board. The need for fiscal responsibility has been the signal most significant concerns of this current Board. As identified in the FY22-23 budget the rate of increase for the sole purpose of aligning the immediate fiscal needs of the District.

This was identified by the consulting firm [Associated Reserves \(3/28/2022\) report](#). This firm determined that the District's reserves were only funded at 25.9%. When in reality the District needed to be at a minimum of 70%, and ideally should be funded at 100% reserve funding. This places the District high risk of completely inadequate levels of reserve funding. The recommendation of the report was to immediately start increasing reserve funding at a minimum \$1.2 million dollars per fiscal year.

The number one [goal](#) was to budget for the reserves based on Reserve Study Outcome.

The March 28, 2022 Board Packet discusses Association Reserve results along with the Board's updated Draft Reserve Policy, which was not implemented. At the March 30, 2022 the Board Backed discusses the FY22-23 budgetary process. Review page 16 of this packet details the Board's request for 60% of the reserves to be funded in 5 years, and their approval of \$11 dollar for water reserve increase and \$10 wastewater reserve increase.

There was a successful protest to the Prop 218 process of the District's fiscal budgetary processes. This led to no increase in any additional revenue increase for the entire fiscal year. This negative impact, due to inflationary costs alone, places the District at an even more increased of risk for reserve funding levels.

Here is a link to the final report of addresses for [Prop 218 protest letters](#).

The RMCS D Board is still committed to a full and compete funding level of reserve funding. See FY23-24 draft Budget.

FINDING #11: THE DISTRICT HAS INAPPROPRIATELY SUBSIDIZED THE COST OF RECLAIMED WATER TO RMCC.

GRAND JURY RECOMMENDATIONS RELATED TO THIS FINDING:

#R12: The District Board should revise its agreement with the RMCC and begin charging for the use of reclaimed water on the RMCC golf courses at rates typical in the Sacramento area by January 1, 2024.

DISTRICT RESPONSE, IN BRIEF.

The Board disagrees wholly with this finding. The District's current reclaimed water operations are designed to comply with regulatory and legal requirements. First, the District's wastewater permit has long prohibited the District from discharging treated effluent from the District's wastewater treatment plant to waterways. The only approved disposal method for District treated effluent is irrigation within the authorized areas described in the permit. To remain in compliance with its wastewater permit, the District must have a reliable irrigation user for its treated effluent. The District addresses these constraints by disposing of its treated effluent by providing it to the country club for irrigation uses. Second, the District and country club are parties to a long-term agreement that requires the District to provide its treated effluent to the country club. The agreement does not contain terms authorizing the Board to terminate the agreement, charge for the treated effluent, or sell the effluent to other parties.

DISTRICT RESPONSE, DETAILED.

When this community was established in the early 1970's the design was truly ahead of its time. The RMCCSD is one of only community service districts in the State that delivers these levels of services; water storage & treatment and delivery, wastewater recycle treatment, sewer, drainage, trash collection and security service. Most community service districts do not provide this many services, only one or two services are the norm. To this end the usage of recycled water within the District was amazingly designed and effective in its usage of this recycle water.

Water from the Cosumnes river is pumped to the water storage reservoirs and then pumped to the water treatment plants for distribution. Then water is delivered to houses and commercial properties, with the return of wastewater to District holding ponds and treatment plants. The amount of total water handled by the District annually is close to 1 Billion gallons of water...

Current State laws and regulations mandate that 'recycled water' 'treated water' not be introduced back into either rivers or any water aquifers. The community was designed to distribute the 120-130 million gallons of recycled water each and every year to water the Rancho Murieta Country Club (RMCC) two courses. This recycled water usage assists both the District on the required discharge of recycled water to the RMCC golf courses as spray fields. This also allows the RMCC to reduce the need for the usage of fresh water to be used for watering the golf courses. The current [water agreement with RMCC](#) expires in 2028.

In 2021 the RMCC formally requested a loan from the RMCCSD to assist in the purchase of pump to allow the continuation of watering the South golf course. This loan was approved at the District [January 2021 Board meeting](#). The Board understands the critical nature of the interconnection with the RMCC and the needs of the District, as it relates to recycled water usage and discharge. This specific loan request properly addressed by the Board to facilitate the need for monies to ensure the pumping of recycled water for both the watering and continued discharge of recycled water from the District. This process was conducted within the standardized process established by the State of California, as it relates to community service districts.

An example of the need for interoperability and cooperations thought the Ranch Murrieta community is in 2006 there was an illegal discharge of reclaimed water into the Cosumnes river. The lack of planning and preparation resulted in a cost to the District of \$1.2 million dollars. This was in the cost of fines imposed on the District from the State of California and immediate need for the usage of another spray field. This was to allow the continued requirements for the discharge of reclaimed water. Please click on the links to attached supporting documents.

Reclaimed Water to RMCC

[Agreement to provide recycled water to RMCC](#)

[Amendment to Agreement to provide recycled water](#)

[Water permits](#)

FINDING #12: A PERCEIVED CONFLICT OF INTEREST EXISTS IN THE COMMUNITY DUE TO A CLOSE RELATIONSHIP BETWEEN THE DISTRICT, THE RMA AND THE RMCC AND THEIR RESPECTIVE BOARD MEMBERS.

GRAND JURY RECOMMENDATIONS RELATED TO THIS FINDING:

#R13: The District Board and staff should avoid perceptions of conflicts of interest in their fiduciary responsibilities to protect the interests of the District and its rate payers.

DISTRICT RESPONSE, IN BRIEF.

The Board disagrees wholly with this finding. The Board complies with the District's Policy No. 2005-6 which prescribes ethical rules for Board Members and prohibits conflicts of interest. The Board is unaware of any legal conflicts of interest pertaining to Board Members, the homeowner's association's Board of Directors, and the country club.

DISTRICT RESPONSE, DETAILED.

The requirements of any local or state elected officials are to file a 'conflict of interest' report annually. Those residents that have spent any time within the community should understand how important the three organizations RMA, RMCC and RMCSD are to the overall community. The functions of each organization are clear as well as the roles and responsibilities of each organization's board of directors. The boards are solely responsible for their specific missions and fiscal responsibilities of each organization.

There are times when one organization can assist another organization. A perfect example is the usage/sharing of specialized equipment in times of localized flooding, evacuations, etc. The organizations have and will continue to be interconnected and work cooperatively to ensure the needs of the community are met.