

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT  
BOARD OF DIRECTORS' REGULAR MEETING**  
*Minutes of April 16, 2020*

***This meeting was held virtually pursuant to the virtual meeting protocols as outlined in the President's Declaration of April 6, 2020.***

**1. 4:00 PM OPEN SESSION / CALL TO ORDER / FLAG SALUTE**

President Burgess called the meeting to order at 4:05 pm and led the flag salute.

**2. ROLL CALL**

Secretary Gelos called the roll. Directors Barker, Burgess, Cousineau and Rowley were present. Director Capps was absent.

Staff present: General Manager Scott Duffield, Office Supervisor/Board Secretary Kristen Gelos and District legal counsel Jeff Minnery.

**3. PUBLIC COMMENT ON ITEMS NOT ON THE AGENDA**

No comments

**4. CONSENT ITEMS**

- a. **Meeting Minutes:** Receive/approve minutes of regular meeting of March 19, 2020.
- b. **Meeting Minutes:** Receive/approve minutes of special meeting of March 24, 2020.
- c. **Warrant Register:** Receive/approve March 2020 warrants.
- d. **Treasurer's Report:** Receive/file March 2020 report.
- e. **Treasurer's Report:** Receive/file 3<sup>rd</sup> Quarter 2020 report.
- f. **Fiscal Report:** Receive/file March 2020 status report.

Director Barker made a motion to approve all consent items as presented. Director Cousineau seconded the motion. The motion passed by the following roll call vote:

Ayes: Barker, Burgess, Cousineau, Rowley  
Absent: Capps

**5. DISCUSSION ITEMS**

- a. **Submittal for approval Resolution 20-06 approving a Private Placement with Western Alliance and a Lease Agreement for the District's Photovoltaic System Project.**

Manager Duffield introduced Nicki Tallman and Albert Peche.

Ms. Tallman and Mr. Peche provided the board with a power-point presentation and answered any questions the board had.

Director Rowley made a motion to approve Resolution 20-06 approving a Private Placement with Western Alliance and a Lease Agreement for the District's Photovoltaic System Project. Director Barker seconded the motion. The motion passed by the following roll call vote:

Ayes: Barker, Burgess, Cousineau, Rowley

Absent: Capps

**b. Submittal for approval Resolution 20-07 approving the adoption of a District Debt Management Policy in accordance with SB 1029.**

Manager Duffield along with Albert Reyes provided a brief summary of the item and answered any questions the Board had.

Director Cousineau made a motion to approve Resolution 20-07 approving the adoption of a District Debt Management Policy in accordance with SB 1029. Director Barker seconded the motion. The motion passed by the following roll call vote:

Ayes: Barker, Burgess, Cousineau, Rowley

Absent: Capps

**c. Request to receive and file Photovoltaic System Project updates.**

Manager Duffield provided a brief summary of the item and answered any questions the Board had.

Director Cousineau made a suggestion to close off the entire water treatment plant area with fencing/gates.

Director Barker suggests we submit plan to the County as is, and submit corrections/change orders if needed.

The report was received and filed.

**6. MANAGER'S REPORT**

The report was received and filed.

**7. STAFF REPORTS**

The reports were received and filed.

**8. COMMITTEE AND DIRECTOR REPORTS**

None

## **9. ADJOURNMENT**

On a motion by Director Barker and seconded by Director Rowley, the meeting adjourned at 5:20 pm to the next scheduled regular meeting on Thursday, May 21, 2020.

### **APPROVED:**

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**Dan Burgess, President**  
**Board of Directors**

### **ATTEST:**

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**Kristen Gelos, Secretary**  
**Board of Directors**

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT**

**APRIL 2020**

**WARRANT REGISTER**

<b>DATE</b>	<b>NAME OF PAYEE</b>	<b>ITEM AMOUNT</b>	<b>WARRANT AMOUNT</b>
4/3/2020	CALPERS 457 DEFFERED COMP PROG PERS 457- DEFFERED COMP.	1,225.00	\$ 1,225.00
4/3/2020	CALPERS RETIREMENT SYSTEM PERS RETIREMENT	3,123.28	
	PERS RETIREMENT TIER 2	962.32	
	PERS RETIREMENT PEPRA	509.95	
	SURVIVOR BENEFIT	7.44	\$ 4,602.99
4/3/2020	CALPERS HEALTH BENEFITS CALPERS HEALTH BENEFITS	10,865.21	
	EMPLOYEE PAID HEALTH BENEFIT	874.06	
	EMPLOYEE PAID HEALTH BENEFIT	874.06	\$ 12,613.33
4/10/2020	R.BRINK NET PAYROLL	2,329.39	\$ 2,329.39
4/10/2020	R.ARNOLD NET PAYROLL	2,161.54	\$ 2,161.54
4/10/2020	J.PRITCHETT NET PAYROLL	2,600.21	\$ 2,600.21
4/10/2020	M.HUMPHREY NET PAYROLL	1,738.57	\$ 1,738.57
4/10/2020	K.GELOS NET PAYROLL	2,323.75	\$ 2,323.75
4/10/2020	D.BURGESS NET PAYROLL	138.52	\$ 138.52
4/10/2020	B.BARKER NET PAYROLL	184.70	\$ 184.70
4/10/2020	M.ROWLEY NET PAYROLL	138.52	\$ 138.52
4/10/2020	R.COUSINEAU NET PAYROLL	138.52	\$ 138.52
4/10/2020	S.DUFFIELD NET PAYROLL	3,502.95	\$ 3,502.95

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT**

**APRIL 2020**

**WARRANT REGISTER**

<b>DATE</b>	<b>NAME OF PAYEE</b>	<b>ITEM AMOUNT</b>	<b>WARRANT AMOUNT</b>
4/10/2020	D.CAPPS NET PAYROLL	92.35	\$ 92.35
4/10/2020	S.BRENNEMAN NET PAYROLL	1,067.76	\$ 1,067.76
4/10/2020	J.B. DEWAR. INC. FUEL & OIL	498.32	\$ 498.32
4/13/2020	READY REFRESH BY NESTLE LAB TESTING	15.94	\$ 15.94
4/13/2020	STAR DRUG TESTING, INC DUES & SUBSCRIPTIONS	99.00	\$ 99.00
4/13/2020	DELTA LIQUID ENERGY PROPANE	152.54	\$ 152.54
4/13/2020	ABALONE COAST ANALYTICAL, INC. LAB TESTING	872.00	\$ 872.00
4/13/2020	U.S. BANK CORPORATE PAYMENT SY FUEL & OIL	30.87	
	TRAINING & TRAVEL	65.00	
	MAINTENANCE FIXED EQUIPMENT	421.19	
	MAINTENANCE FIXED EQUIPMENT	139.43	
	TRAINING & TRAVEL	79.70	
	MAINTENANCE FIXED EQUIPMENT	30.88	\$ 767.07
4/13/2020	CLA-VAL		
	MAINTENANCE FIXED EQUIPMENT	2,252.57	
	MAINTENANCE FIXED EQUIPMENT	1,029.50	
	MAINTENANCE FIXED EQUIPMENT	762.66	
	MAINTENANCE FIXED EQUIPMENT	641.47	
	MAINTENANCE FIXED EQUIPMENT	870.55	
	MAINTENANCE FIXED EQUIPMENT	547.09	
	MAINTENANCE FIXED EQUIPMENT	628.60	
	MAINTENANCE FIXED EQUIPMENT	914.41	
	MAINTENANCE FIXED EQUIPMENT	876.99	
	MAINTENANCE FIXED EQUIPMENT	571.11	
	MAINTENANCE FIXED EQUIPMENT	1,026.92	
	MAINTENANCE FIXED EQUIPMENT	520.49	
	MAINTENANCE FIXED EQUIPMENT	496.44	
	MAINTENANCE FIXED EQUIPMENT	739.28	

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT**

**APRIL 2020**

**WARRANT REGISTER**

<b>DATE</b>	<b>NAME OF PAYEE</b>	<b>ITEM AMOUNT</b>	<b>WARRANT AMOUNT</b>
	MAINTENANCE FIXED EQUIPMENT	424.69	
	MAINTENANCE FIXED EQUIPMENT	830.23	
	MAINTENANCE FIXED EQUIPMENT	1,902.82	
	MAINTENANCE FIXED EQUIPMENT	590.64	
	MAINTENANCE FIXED EQUIPMENT	368.14	
	MAINTENANCE FIXED EQUIPMENT	416.40	
	MAINTENANCE FIXED EQUIPMENT	691.23	
	MAINTENANCE FIXED EQUIPMENT	776.47	
	MAINTENANCE FIXED EQUIPMENT	490.54	
	MAINTENANCE FIXED EQUIPMENT	341.76	\$ 18,711.00
4/13/2020	BENJAMIN FRANKLIN PLUMBING MATINENANCE FIXED EQUIPMENT	385.00	\$ 385.00
4/13/2020	PITNEY BOWES INC. OFFICE SUPPLIES	99.01	\$ 99.01
4/13/2020	DATA PROSE LLC MARCH LATE NOTICES	406.45	\$ 406.45
4/13/2020	WESTERN EXTERMINATOR COMPANY STRUCTURES & GROUNDS	86.00	\$ 86.00
4/13/2020	KENWOOD ENERGY PVS PROJECT	3,168.75	\$ 3,168.75
4/14/2020	INTERNAL REVENUE SERVICE FEDERAL WITHHOLDING TAXES FEDERAL WITHHOLDING TAXES FEDERAL WITHHOLDING TAXES FICA WITHIHOLDING MEDICARE MEDICARE MEDICARE	7,097.46 9,665.74 1,638.29 93.00 673.14 869.06 654.62	\$ 20,691.31
4/14/2020	EMPLOYMENT DEVELOPMENT DEPARTM SDI SDI SDI STATE WITHHOLDING STATE WITHHOLDING STATE WITHHOLDING	232.12 299.68 218.22 2,447.19 3,386.35 565.13	\$ 7,148.69

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT**

**APRIL 2020**

**WARRANT REGISTER**

<b>DATE</b>	<b>NAME OF PAYEE</b>	<b>ITEM AMOUNT</b>	<b>WARRANT AMOUNT</b>
4/16/2020	STOCKMAN'S ENERGY, INC. PVS PROJECT	422,315.79	\$ 22,315.79
4/17/2020	CALPERS 457 DEFFERED COMP PROG PERS 457- DEFFERED COMP.	1,000.00	\$ 1,000.00
4/17/2020	CALPERS RETIREMENT SYSTEM EMPLOYER'S CONTRIBUTION	19.44	
	PERS RETIREMENT	447.95	
	PERS RETIREMENT	2,227.38	
	PERS RETIREMENT TIER 2	962.32	
	PERS RETIREMENT PEPRA	433.68	
	SURVIVOR BENEFIT	0.93	
	SURVIVOR BENEFIT	6.51	\$ 4,098.21
4/20/2020	AT&T TELEPHONE / INTERNET	166.29	\$ 166.29
4/23/2020	CALPERS RETIREMENT SYSTEM PERS RETIREMENT U/L	5,797.93	
	PERS RETIREMENT U/L	168.52	
	PERS RETIREMENT U/L	36.14	\$ 6,002.59
4/24/2020	R.BRINK NET PAYROLL	2,029.85	\$ 2,029.85
4/24/2020	R.ARNOLD NET PAYROLL	2,261.02	\$ 2,261.02
4/24/2020	J.PRITCHETT NET PAYROLL	2,321.64	\$ 2,321.64
4/24/2020	M.HUMPHREY NET PAYROLL	1,656.69	\$ 1,656.69
4/24/2020	K.GELOS NET PAYROLL	2,323.75	\$ 2,323.75
4/24/2020	S.DUFFIELD NET PAYROLL	3,608.89	\$ 3,608.89

## HERITAGE RANCH COMMUNITY SERVICES DISTRICT

APRIL 2020

## WARRANT REGISTER

DATE	NAME OF PAYEE	ITEM AMOUNT	WARRANT AMOUNT
4/28/2020	INTERNAL REVENUE SERVICE		
	FEDERAL WITHHOLDING TAXES	1,584.80	
	MEDICARE	584.24	\$ 2,169.04
4/28/2020	EMPLOYMENT DEVELOPMENT DEPARTM		
	SDI	201.45	
	STATE WITHHOLDING	552.19	\$ 753.64
4/28/2020	SAN MIGUEL GARBAGE		
	DELINQUENT SOLID WASTE FEES	1,588.50	\$ 1,588.50
GRAND TOTAL FOR ALL WARRANTS			\$140,255.08

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT  
TREASURER'S REPORT  
APRIL 2020**

**SUMMARY REPORT OF ALL ACCOUNTS**

Beginning Balance:	\$ 3,757,901.06
Ending Balance:	\$ 5,034,832.51
Variance:	\$ 1,276,931.45
Interest Earnings for the Month Reported:	\$ 17,666.21
Interest Earnings Fiscal Year-to-Date:	\$ 79,216.98

**ANALYSIS OF REVENUES**

Total operating income for water and sewer was:	\$ 131,522.48
Non-operating income was:	\$ 127,505.13
Franchise fees paid to the District by San Miguel Garbage was:	\$ 5,911.15
Interest earnings for the P.P.B. checking account was:	\$ 8.21
Interest earnings for the P.P.B. DWR Loan Services account was:	\$ -
Interest earnings for the P.P.B. DWR Reserve account was:	\$ -
Interest earnings for the P.P.B. SRF Loan Services account was:	\$ -
Interest earnings for the P.P.B. SRF Reserve account was:	\$ -
Interest earnings for the LAIF account was:	\$ 17,658.00

**ANALYSIS OF EXPENSES**

Pacific Premier Bank checking account total warrants, fees, and Electronic Fund Transfers was:	\$ 2,194,649.36
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**STATEMENT OF COMPLIANCE**

This report was prepared in accordance with the Heritage Ranch Community Services District Statement of Investment Policy. All investment activity was within policy limits. There are sufficient funds to meet the next 30 days obligations. Attached is a status report of all accounts and related bank statements.

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT  
STATUS REPORT FOR ALL ACCOUNTS  
APRIL 2020**

**BEGINNING BALANCE ALL ACCOUNTS** **\$ 3,757,901.06**

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**OPERATING CASH IN DRAWER** **\$300.00**

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**PACIFIC PREMIER BANK - CHECKING**

<b>BEGINNING BALANCE 03/31/2020</b>	\$63,867.58	
DEPOSIT REVENUE & MISCELLANEOUS INCOME	\$2,277,681.38	
INTEREST EARNED	\$8.21	
TOTAL CHECKS, FEES AND EFT'S	(\$2,194,649.36)	
TRANSFER TO LAIF ACCOUNT	\$233.22	
<b>ENDING BALANCE 04/30/2020</b>		<b>\$147,141.03</b>

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**PACIFIC PREMIER BANK DWR LOAN REPAYMENT (1994-2029):**

**LOAN SERVICES ACCOUNT**

<b>BEGINNING BALANCE 03/31/2020</b>	\$114.28	
QUARTERLY DEPOSIT	\$0.00	
INTEREST EARNED	\$0.00	
SEMI-ANNUAL PAYMENT	\$0.00	
<b>ENDING BALANCE 04/30/2020</b>		<b>\$114.28</b>

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**PACIFIC PREMIER BANK DWR RESERVE ACCOUNT**

<b>BEGINNING BALANCE 03/31/2020</b>	\$113,160.37	
INTEREST EARNED	\$0.00	
<b>ENDING BALANCE 04/30/2020</b>		<b>\$113,160.37</b>

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**PACIFIC PREMIER BANK SDWSRF LOAN SERVICES ACCOUNT**

<b>BEGINNING BALANCE 03/31/2020</b>	\$44,198.28	
QUARTERLY DEPOSIT	\$0.00	
INTEREST EARNED	\$0.00	
SEMI-ANNUAL PAYMENT	\$0.00	
<b>ENDING BALANCE 04/30/2020</b>		<b>\$44,198.28</b>

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**PACIFIC PREMIER BANK SDWSRF RESERVE ACCOUNT**

<b>BEGINNING BALANCE 03/31/2020</b>	\$0.00	
QUARTERLY DEPOSIT	\$0.00	
INTEREST EARNED	\$0.00	
<b>ENDING BALANCE 04/30/2020</b>		<b>\$0.00</b>

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**LOCAL AGENCY INVESTMENT FUND (LAIF)**

<b>BEGINNING BALANCE 03/31/2020</b>	\$3,536,560.55	
INTEREST EARNED	\$17,658.00	
TRANSFER FROM PACIFIC PREMIER CHECKING	\$1,601,000.00	
TRANSFER TO PACIFIC PREMIER CHECKING	(\$425,000.00)	
<b>ENDING BALANCE 04/30/2020</b>		<b>\$4,730,218.55</b>

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<b>ENDING BALANCE ALL ACCOUNTS</b>		<b>\$5,034,832.51</b>
<b>DIFFERENCE FROM LAST MONTH</b>	<b>Increase</b>	<b>\$1,276,931.45</b>

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**HERITAGE RANCH COMMUNITY SERVICES DISTRICT - CONSOLIDATED BUDGET**  
**2019/20 Budget**

<b>OPERATING INCOME</b>	<b>Budget FY 19/20</b>	<b>Actual April</b>	<b>Actual Year to Date</b>	<b>Percentage Year to Date</b>	<b>Variance Explanation</b>
Water Fees	1,048,675	74,677	858,758	82%	
Sewer Fees	628,817	55,037	525,201	84%	
Hook-Up Fees	6,000	0	1,200	20%	Fluctuates based on activity
Turn on Fees	3,500	375	2,850	81%	
Late Fees	18,000	1,402	14,625	81%	
Plan Check & Inspection	10,000	0	993	10%	
Miscellaneous Income	2,000	32	12,489	624%	SDRMA claim, SLOCOPWD refund
<b>TOTAL OPERATING INCOME</b>	<b>\$1,716,992</b>	<b>\$131,522</b>	<b>\$1,416,115</b>	<b>82%</b>	

**FRANCHISE INCOME**

Solid Waste Franchise Fees	70,932	5,911	58,249	82%	
<b>TOTAL FRANCHISE REVENUE</b>	<b>\$70,932</b>	<b>\$5,911</b>	<b>\$58,249</b>	<b>82%</b>	

**NON-OPERATING INCOME**

Standby Charges	242,466	40,358	197,924	82%	
Property Tax	364,361	69,481	324,052	89%	
Interest	50,000	17,666	79,217	158%	Fluctuates based on activity
Connection Fees	141,160	0	28,340	20%	Fluctuates based on activity
<b>TOTAL NON-OPERATING INCOME</b>	<b>\$797,987</b>	<b>\$127,505</b>	<b>\$629,532</b>	<b>79%</b>	

**RESERVE REVENUE**

Capital Reserves	63,189	426,135	445,090	704%	
Operating Reserves	143,942	0	87,255	61%	
<b>TOTAL RESERVE REVENUE</b>	<b>\$207,131</b>	<b>\$426,135</b>	<b>\$532,345</b>	<b>257%</b>	

<b>TOTAL ALL INCOME</b>	<b>\$2,793,042</b>	<b>\$691,074</b>	<b>\$2,636,241</b>	<b>94%</b>	
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**HERITAGE RANCH COMMUNITY SERVICES DISTRICT - CONSOLIDATED BUDGET**  
**2019/20 Budget**

**OPERATING EXPENSES**

<b>SALARIES AND BENEFITS</b>	<b>Budget FY 19/20</b>	<b>Actual April</b>	<b>Actual Year to Date</b>	<b>Percentage Year to Date</b>	<b>Variance Explanation</b>
Salaries	644,289	69,648	606,098	94%	
Health Insurance	96,753	7,834	80,743	83%	
Health Insurance - Retiree	48,561	3,950	39,489	81%	
PERS	115,465	11,030	115,248	100%	
Standby	12,900	982	10,589	82%	
Overtime	15,050	917	12,178	81%	Fluctuates based on need & staffing
Workers Comp. Ins.	25,072	0	21,681	86%	Paid Annually
Directors' Fees	7,000	750	5,500	79%	
Medicare/FICA	9,863	1,437	9,655	98%	
Car Allowance	3,000	250	2,500	83%	
SUI/ETT	1,500	0	599	40%	
Uniforms	4,500	317	2,222	49%	
<b>TOTAL SALARIES &amp; BENEFITS</b>	<b>\$983,953</b>	<b>\$97,115</b>	<b>\$906,502</b>	<b>92%</b>	

**UTILITIES**

Electricity	240,202	0	180,660	75%	
Propane	973	153	711	73%	
Water Purchase	23,114	0	23,114	100%	Paid Semiannually
Telephone/Internet	11,663	512	9,114	78%	
<b>TOTAL UTILITIES EXPENSE</b>	<b>\$275,952</b>	<b>\$665</b>	<b>\$213,600</b>	<b>77%</b>	

**MAINTENANCE & SUPPLIES**

Chemicals	76,000	11,483	52,761	69%	
Computer/Software	7,000	0	6,573	94%	Logmein increase
Equip. Rental/Lease	1,000	0	215	22%	
Fixed Equip.	103,000	20,932	83,921	81%	
Fuel & Oil	12,000	529	9,606	80%	
Lab Testing	30,000	1,150	33,998	113%	Compliance needs
Office Supplies	3,000	99	1,313	44%	
Parks & Recreation	500	0	0	0%	
Struct./Grnds.	14,000	536	8,440	60%	
Small Tools/Equip.	3,500	2,197	3,858	110%	
Supplies	6,000	0	5,881	98%	Increased operational need
Meters/Equip.	5,000	0	0	0%	Fluctuates based on activity
Vehicles	8,500	255	5,083	60%	
<b>TOTAL MAINT. &amp; SUPPLY EXPENSE</b>	<b>\$269,500</b>	<b>\$37,181</b>	<b>\$211,651</b>	<b>79%</b>	

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT - CONSOLIDATED BUDGET**  
**2019/20 Budget**

<b>GENERAL &amp; ADMINISTRATION</b>	<b>Budget FY 19/20</b>	<b>Actual April</b>	<b>Actual Year to Date</b>	<b>Percentage Year to Date</b>	<b>Variance Explanation</b>
Ads./Advertising	1,500	0	382	25%	Fluctuates based on activity
Alarm/Answering Service	3,275	275	3,908	119%	Upgrade cost
Audit	10,000	0	6,057	61%	
Bank Charges/Fees	3,000	387	3,545	118%	Fluctuates based on activity
Consulting/Engineering	20,000	2,594	6,154	31%	
Dues/Subscription	9,400	99	8,647	92%	
Elections	1,000	0	0	0%	
Insurance	20,488	48	30,353	148%	Paid Annually
LAFCO	8,000	0	7,904	99%	Paid Annually
Legal/Attorney	22,000	7,713	22,516	102%	
Licenses/Permits	28,200	0	30,658	109%	
Plan Check & Inspection	10,000	0	993	10%	
Postage/Billing	20,000	525	13,088	65%	
Professional Service	38,400	3,475	26,156	68%	
Tax Collection	5,300	5,218	5,218	98%	
Staff Training & Travel	7,000	145	4,073	58%	
Board Training & Travel	10,000	0	145	1%	
<b>TOTAL G &amp; A</b>	<b>\$217,563</b>	<b>\$20,479</b>	<b>\$169,795</b>	<b>78%</b>	

<b>CAPITAL PROJECTS &amp; EQUIPMENT</b>					
Projects	243,918	427,399	501,245	205%	
Equipment	135,000	0	117,830	87%	
<b>TOTAL CAPITAL EXPENSE</b>	<b>\$378,918</b>	<b>427,399</b>	<b>619,075</b>	<b>163%</b>	

<b>DEBT</b>					
State Loan Payment	103,629	0	103,628	100%	paid semiannually
State Loan Payment Phase II	58,740	0	29,369	50%	paid semiannually
<b>TOTAL DEBT</b>	<b>\$162,369</b>	<b>\$0</b>	<b>\$132,998</b>		

FUNDED DEPRECIATION	\$288,000	\$24,000	\$240,000	83%	
UNFUNDED DEPRECIATION	\$0	\$0	\$0	0%	

<b>TOTAL EXPENSE</b>	<b>\$2,576,255</b>	<b>\$606,839</b>	<b>\$2,493,621</b>	<b>97%</b>	
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CONNECTION FEES TRANSFER      \$141,160      \$0      \$28,340      20%

SOLID WASTE FEES TRANSFER      \$30,321      \$2,935      \$25,704      85%

<b>FUND TOTAL</b>	<b>\$45,306</b>	<b>\$81,300</b>	<b>\$88,576</b>		
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## HERITAGE RANCH COMMUNITY SERVICES DISTRICT

### MEMORANDUM

**TO:** Board of Directors

**FROM:** Scott Duffield, General Manager  
Kristen Gelos, Office Supervisor

**DATE:** May 21, 2020

**SUBJECT:** Submittal for approval Resolution 20-08 Confirming Water and Sewer Standby Charges for Property within the District for Fiscal Year 2019/20.

#### **Recommendation**

It is recommended that the Board of Directors:

1. Open the Public Hearing and receive public input on water & sewer standby charges; and
2. At the close of the Public Hearing, approve Resolution 20-08 Confirming Water and Sewer Standby Charges for Property within the District for FY 2020/21.

#### **Background**

Standby or availability charges or assessments are a parcel-based source of revenue commonly available to public agencies for use in defraying the cost of having certain benefits available to parcels.

California Government Code Section §54984, et.al. is known as the Uniform Standby Charge Procedures Act and provides the authority to impose these charges and states,

*“Any local agency which is authorized by law to provide water, sewer, or water and sewer service, and which is providing either or both of those services within its jurisdiction, may fix...a water or sewer standby charge, or both, on land within the jurisdiction of the local agency to which water, sewer, or water and sewer services are made available for any purpose by the agency, whether the water or sewer services are actually used or not.”*

#### **Discussion**

It has been the practice of Heritage Ranch Community Services District since 1991 to collect standby or availability charges or assessments to offset certain costs that sustain

water and/or sewer services including debt service on the Water Treatment Plant, and maintenance and operations.

### Debt Service

In 1994, the construction of the Water Treatment Plant (WTP) and Phase I reconstruction of Pump Stations 1 & 4 were completed. One-half the cost of the WTP and all of the cost for the reconstruction was funded through a \$2,179,398, 35-year term loan from the State. In 2015, Phase II Water Treatment Plant improvements which included the Plate Settler construction was completed. This cost is being funded through a \$984,090, 20-year term loan also from the State. The total annual debt service for both loans is \$162,368.

### Maintenance & Operations

Maintenance of fixed equipment includes the water and sewer treatment plants, pumps and lift stations. Operations includes but is not limited to the purchase of raw water, the supplies, tools, and equipment necessary to operate and maintain facilities, and permits required from State and County agencies.

### Fiscal Considerations

The total number of parcels subject to the water standby charge is 2,071. The total number of parcels subject to the sewer standby charge is 1,866. The total standby revenue for Fiscal Year 2020/21 is anticipated to be \$242,144. Table 1 and 2 illustrate how the charges are allocated and how they are used.

*Table 1 Charge by Parcel*

<b>Standby Charge</b>	<b>No. of Parcels</b>	<b>\$ per Parcel</b>	<b>Total</b>
Water	2071	\$98	\$202,958
Sewer	1866	\$21	\$39,186
Total			\$242,144

*Table 2 Use by Charge*

<b>Item</b>	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
Debt Service	\$162,367	-	\$162,367
Maintenance/Ops	\$40,591	\$39,186	\$79,777
Total	\$202,958	\$39,186	\$242,144

### Results

Resolution 20-08 will serve to confirm water and sewer standby charges which will then be collected through the County of San Luis Obispo's property tax roll. The County adds \$2 for their cost to collect and allocate these charges.

Attachments: Resolution 20-08 Confirming Water and Sewer Standby Charges for  
Property within the District for Fiscal Year 2020/21  
Resolution 20-04  
Engineering Report for Standby Charges

File: Standby Charges FY 2020/21

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT  
RESOLUTION NO. 20-08**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE HERITAGE RANCH  
COMMUNITY SERVICES DISTRICT CONFIRMING WATER AND SEWER  
STANDBY CHARGES FOR PROPERTY WITHIN THE DISTRICT FOR FISCAL  
YEAR 2020/21**

The following resolution is hereby offered and read:

**WHEREAS**, Government Code Section §61115 provides that the Heritage Ranch Community Services District, hereinafter referred to as the "District", may establish, revise and collect rates and other charges for the services and facilities furnished by it; and

**WHEREAS**, on March 19, 2020, the Board of Directors adopted Resolution No. 20-04 initiating proceedings for water and sewer standby or availability charges or assessments for property within the District; and

**WHEREAS**, the District Code of Ordinances, Chapter 3, Section(s) 3.330 through 3.350 conforms to the Uniform Standby Charges Procedures Act, California Government Code §54984 through 54984.9; and

**WHEREAS**, following the adoption of Resolution 20-04, notice was given as required by law and pursuant to California Government Code §6066, a public hearing was held on May 21, 2020, and all objections were considered by the Board of Directors; and

**WHEREAS**, at the end of the public hearing on May 21, 2020, and pursuant to the District Code of Ordinances Section 3.340, the Board of Directors found that written protests representing 15% or more of the parcels subject to the standby or availability charge or assessment did not exist; and

**WHEREAS**, the Board of Directors find that all procedures required by law and pursuant to Government Code §54984.2 and 54984.7 have been duly complied with in connection with approval of the standby or availability charges or assessments; and

**WHEREAS**, the Board of Directors elects to have the County of San Luis Obispo levy and collect standby or availability charges or assessments in accordance with California Water Code 35479 and California Health and Safety Code 5473.

**NOW, THEREFORE, BE IT RESOLVED AND ORDERED** by the Board of Directors of the Heritage Ranch Community Services District that:

1. The foregoing recitals are true and correct and are incorporated by this reference.

2. The Board of Directors adopts the standby or availability charges or assessments on all parcels within the District listed in the property tax roll provided by the County of San Luis Obispo and available for inspection in the District Office.
3. The amount of the charge or assessment is \$119 per parcel with available water and sewer service and \$98 per parcel with available water service only.
4. The Resolution shall take effect immediately.
5. Standby or availability charges or assessments shall be collected at the same time and in the same manner and by the same persons, together with and not separately from, general County of San Luis Obispo property taxes, and shall be delinquent at the same time and thereafter be subject to the same delinquency penalties as such general taxes. Notwithstanding that the County of San Luis Obispo operates under the Teeter Plan, delinquent standby or availability charges or assessments shall also be subject to the same interest and penalties as general taxes, and together with interest and penalties thereon, a lien shall be placed on the affected parcel when a certificate is filed in the office of the County Recorder specifying (a) the amount of the delinquent charges together with interest and penalties thereon, (b) the name of the owner of record of the parcel which is subject to the charge and (c) the Assessor's Parcel Number and legal description of the parcel. Such lien will have the same force effect and priority as a judgement lien. Within thirty days of receipt of payment of all amounts due, including recordation fees paid by the District, the District Secretary is hereby authorized and directed to file for recordation a release of the lien.

**PASSED, APPROVED AND ADOPTED** by the Board of Directors of the Heritage Ranch Community Services District on the 21<sup>st</sup> day of May 2020, by the following roll call vote:

**AYES:**

**NOES:**

**ABSTAIN:**

**ABSENT:**

**APPROVED:**

---

**Dan Burgess, President**  
**Board of Directors**

**ATTEST:**

---

**Kristen Gelos**  
**Board Secretary**

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT  
RESOLUTION NO. 20-04**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE HERITAGE RANCH  
COMMUNITY SERVICES DISTRICT INITIATING PROCEEDINGS AND  
ESTABLISHING OF WATER AND SEWER STANDBY CHARGES FOR PROPERTY  
WITHIN THE DISTRICT FOR FISCAL YEAR 2020/21**

**WHEREAS**, the District is authorized to provide water and sewer services, and is authorized to fix, levy, or collect any standby or availability charge or assessments in connection with providing those services; and

**WHEREAS**, the report of a qualified engineer is on file with the District and the standby charge proposed is based upon that report. The engineer's report includes all of the following: (1) a description of the charge, (2) a compilation of the amount of the charge proposed for each parcel subject to the charge, (3) a statement of the methodology and rationale followed in determining the degree of benefit conferred by the service for which the charge is made, and (4) other factors listed in Government Code Section §54984.3.

**NOW, THEREFORE, BE IT RESOLVED AND ORDERED** by the Board of Directors of the Heritage Ranch Community Services District as follows:

1. The foregoing recitals are true and correct and are incorporated by this reference.
2. The parcels subject to the proposed standby charges are within Tracts 424, 446, 447, 452, 466, 474, 475, 693, 720, 721, 1063, 1094, 1910, 1990, and Parcel Map 71-217. All such parcels are contained within a list of Assessor Parcel Numbers on file with the District and made a part herein.
3. The amount of the proposed charge is \$119 per parcel with available water and sewer service, and \$98 per parcel with available water service only.
4. The Board of directors will hold a public hearing regarding imposition of a standby charge on each parcel and in the amount set forth within this resolution. The hearing will be held on May 21, 2020 at 4:00 PM or as soon thereafter as the matter may be heard, at the District Office, located at 4870 Heritage Road, in Heritage Ranch, California. At that time and place, the District will hear and consider all objections or protests, if any, to the proposed standby charges.

The District Secretary is hereby directed to cause notice of the time and place of the public hearing on the standby charges to be published before the hearing in the manner required by law.

**PASSED, APPROVED AND ADOPTED** by the Board of Directors of the Heritage Ranch Community Services District on the 19<sup>th</sup> day of March 2020, by the following roll call vote:

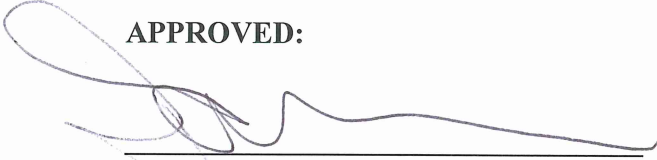
**AYES:** Directors Barker, Burgess, Cousineau, Rowley

**NOES:**

**ABSTAIN:**

**ABSENT:** Director Capps

**APPROVED:**

A handwritten signature in blue ink, appearing to read 'Dan Burgess', written over a horizontal line.

**Dan Burgess, President**  
**Board of Directors**

**ATTEST:**

A handwritten signature in blue ink, appearing to read 'Kristen Gelos', written over a horizontal line.

**Kristen Gelos**  
**Board Secretary**

# MEMORANDUM

## Heritage Ranch Community Services District Engineering Report - Standby Charges



**Date:** March 6, 2020

**To:** Scott Duffield, PE, General Manager

**From:** Steven G. Tanaka, PE, District Engineer

**Subject:** Engineering Report for Standby Charges Pursuant to the Uniform Standby Charge Procedures Act, Section 54984 et. seq. of the California Government Code



CIVIL AND  
TRANSPORTATION  
ENGINEERING

CONSTRUCTION  
MANAGEMENT

LANDSCAPE  
ARCHITECTURE

MECHANICAL  
ENGINEERING

PLANNING

PUBLIC WORKS  
ADMINISTRATION

SURVEYING /  
GIS SOLUTIONS

WATER RESOURCES

In accordance with the requirements of the California Government Code Section 54984, and more particularly Section 54984.3, Sections a-1 to a-4, the District must adopt a resolution to initiate proceedings to fix standby charges for water and sewer facilities at Heritage Ranch Community Services District. The proposed standby charges must be based on an engineering report prepared by a qualified engineer, containing the items and information contained in Section 54984.3, Sections a-1 through 1-4. Furthermore, this Engineering Report and determination of standby charges must be filed with the District on or before August 10th of each calendar year, or prior to the start of each Fiscal Year.

This Engineering Report addresses California Government Code Section 54984, as follows:

***54984.3.(a)(1). A description of the charge and the method by which it will be imposed.***

Each parcel within the District eligible to receive water and sewer services has an outstanding commitment by the District to provide such services. In order to maintain the commitment to provide water and sewer services to all eligible parcels within the District, the water and sewer systems must be periodically repaired, maintained and replaced to ensure that the water and sewer facilities are capable of providing continued and future services to these parcels, and are kept in good working order. There are also District overhead and administrative charges associated with these activities that must be covered by these standby charges. These costs are determined from, and allocated by the budgeting practices of the District. The fiscal year budget reflects the amounts to be assessed. Standby charges will be assessed to all eligible existing parcels which receive or may receive in the future, water and sewer services from the District.

Debt Service. In 1994, the construction of the Water Treatment Plant (WTP) and Phase I reconstruction of Pump Stations 1 & 4 were completed. One-half the cost of the WTP and all of the cost for the reconstruction of pump stations was funded through a \$2,179,398, 35-year term loan from the State. In 2015, Phase II Water Treatment Plant improvements which included the Plate Settler construction was

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CALIFORNIA 93401

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completed. This cost is being funded through a \$984,090, 20-year term loan also from the State. The total annual debt service for both loans is \$162,367.

**Maintenance & Operations.** Maintenance of fixed equipment includes the water and sewer treatment plants, pumps and lift stations. Operations includes but is not limited to the purchase of raw water, the supplies, tools, and equipment necessary to operate and maintain facilities, and permits required from State and County agencies.

The proposed standby charges will be assessed equally amongst the parcels for which standby charges will be assessed. Standby charges will be imposed and assessed on the County Tax Roll.

**54984.3.(a)(2). A compilation of the amount of the charge proposed for each parcel subject to the charge.**

There are currently 2,071 existing parcels within the District subject to these standby charges. Of this total, 1,866 parcels would be charged for water and sewer service, and the remaining 205 parcels would be charged for standby water service only. A summary of the standby charges for both water and sewer systems are included in Table 1.

**Table 1. Summary of Standby Charges by Parcel**

Standby Charge	No. of Parcels	Assessment per Parcel, \$	Total
Water	2,071	\$ 98	\$ 202,958
Sewer	1,866	\$ 21	\$ 39,186
TOTAL	---	---	\$ 242,144

For the water system, \$162,367 will be used for the retirement of debt service for the District's Safe Drinking Water loan for construction of the District's Water Treatment Plant and

pumping facility improvements, as well as the District's State Water Resources Control Board loan for construction of the Plate Settler at the Water Treatment Plant. The remaining \$40,591 will be used for water system maintenance and operation.

For the wastewater system, \$39,186 will be used for wastewater system maintenance and operation. Table 2 summarizes the standby charges and their corresponding allocation to water and sewer systems.

**Table 2. Summary of Use by Standby Charge**

Item	Water	Sewer	Total
Debt Service	\$ 162,367	\$ -	\$ 162,367
Maintenance & Operations	\$ 40,591	\$ 39,186	\$ 79,777
TOTAL	\$ 202,958	\$ 39,186	\$ 242,144



***54984.3.(a)(3). A statement of the methodology and rationale followed in determining the degree of benefit conferred by the service for which the charge is made.***

Each parcel within the District eligible to receive water and sewer services has an outstanding commitment by the District to provide that service. In preparation for such water and sewer services and for the commitment to standby to provide those services, the water and sewer systems must be periodically repaired, maintained and replaced to ensure that the facilities are in good working order and capable of providing future services to these parcels. In order to prepare for and to have the necessary forces and means to provide the services at all times, and to keep the systems in good working order, the District incurs certain costs. These costs are determined from, and allocated by, the budgeting practices of the District. The budget reflects the amounts to be assessed. The parcels for which these standby charges are assessed, will directly benefit by the District ensuring that such water and sewer services are adequate and available.

The improvements to the water treatment plant benefit all 2,071 parcels whether currently provided water service, or such service is provided in the future for any parcel currently not served water (not yet developed). As such, the annual debt service is shared equally amongst all parcels which benefit equally from these water treatment plant improvements.

The water and sewer system maintenance and operations costs are annual costs to operate the entire water and sewer systems that benefit all 2,071 parcels receiving water services, and all 1,866 parcels receiving sewer services, equally.

Therefore, it is recommended that the District initiate and confirm the Water and Sewer Standby Charges for FY 2020/21 in the amount of \$98 for water and \$21 for sewer for each and every parcel in the District eligible for these services. These charges should be confirmed prior to July 1, 2020 (beginning of the Fiscal Year) by a Public Hearing and Resolution.

***54984.3.(4)(b) A description of the lands upon which the charge is to be imposed. Assessor parcel numbers shall constitute sufficient description for this purpose.***

A listing of the 2,071 properties, corresponding assessor parcel numbers, and associated charges will be filed concurrently with the County Auditor's office. This listing is also on file at the District office.

***54984.3.(4)(c) The amount of the charge for each of the lands so described.***

Please refer to Table 1 of this Engineering Report. For parcels to receive water and sewer services, the charge is \$119/parcel. For those parcels to receive only water service, the charge is \$98/parcel.



***54984.3.(4)(d) The date, time, and place upon which the governing body will hold a public protest hearing regarding the imposition of the charge, and notice that the governing body will hear and consider all objections or protests, if any, to the proposed charges.***

The Board will hold a public hearing on May 21, 2020, at 4:00 pm at the District Office, located at 4870 Heritage Road, in Heritage Ranch, California. At that time and place, the District will hear and consider all objections or protests, if any, to the proposed standby or availability charges or assessments.

SGT:

## HERITAGE RANCH COMMUNITY SERVICES DISTRICT

### MEMORANDUM

**TO:** Board of Directors

**FROM:** Finance & Audit Committee (Barker, Burgess, Duffield)

**DATE:** May 21, 2020

**SUBJECT:** Request to approve a professional services agreement for auditing services with Moss, Levy & Hartzheim LLP.

#### **Recommendation**

It is recommended that the Board of Directors approve a professional services agreement for auditing services with Moss, Levy & Hartzheim LLP.

#### **Background**

Government Code Section 61118 requires that the Board of Directors shall provide for regular audits of the district's accounts and records, and shall provide for the annual financial reports to the State Controller.

The Government Code also states that commencing with the 2013-14 fiscal year, a local agency shall not employ a public accounting firm to provide audit services to a local agency if the lead audit partner or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has preformed audit services for that local agency for six consecutive fiscal years.

Crosby Company (Bob Crosby) has been the District Auditor since Fiscal Year 2008-09. Your Board approved publishing a request for proposals (RFP) for auditing services at the March 2020 meeting.

#### **Discussion**

The District requested proposals for three fiscal years beginning with FY2019/20 and ending FY2021/22, with an option of three one-year extensions. The District received five proposals.

Proposals were evaluated based on the following:

- Expertise and qualifications of assigned staff, including prior experience in performing similar work for public sector clients
- Audit methodology and approach
- Responsiveness to the requirements of the RFP
- Recent references from comparable clients

The District has full discretion in determining the applicability and weight of the criteria listed above. Cost proposals were considered only after proposals were evaluated and ranked.

The RFP requested the Technical Proposal include the following subjects at a minimum:

1. License to Practice in California.
2. Independence.
3. Firm Qualifications and Experience.
4. Most recent external quality control review (peer review).
5. Partner, Supervisory and Staff Qualifications and Experience.
6. Similar Engagements with Other Government Entities.
7. Specific Audit Approach.

Based on the technical proposal and other factors the Finance & Audit Committee recommend executing a professional services agreement for auditing services with Moss, Levy & Hartzheim LLP.

### **Fiscal Considerations**

The cost for auditing services will be accounted for in the fiscal year budgets. The tabulation of the cost proposals is shown in the table below.

Auditor	Cost Proposal
Harshwal & Company LLP, Oakland	\$8,010 first year + 4% forward
Jacobson Jarvis & Company PLLP, Laverne	\$10,280 first year + 1% forward
Leaf & Cole LLP, San Diego	\$15,800 first year + 1% forward
Moss, Levy & Hartzheim LLP, Santa Maria	\$8,195 first year + 3.5% forward
Nigro & Nigro PC, Walnut Creek	\$18,500 flat all years

### **Results**

By approving the recommended action, the Board continues to provide for municipal services in a fiscally responsible manner and in accordance with applicable law.

Attachment: Auditing Services Engagement Letter

File: Agreements\_Auditor



Moss, Levy & Hartzheim LLP

Certified Public Accountants

May 5, 2020

Heritage Ranch Community Services District  
Attn: Scott Duffield, General Manager  
4870 Heritage Road  
Paso Robles, CA 93446

Dear Scott,

Attached is the engagement letter for audit services for the fiscal years ending June 30, 2020, 2021 and 2022. This engagement letter is in line with the items outlined in our proposal for audit services submitted on April 23, 2020. Please sign the letter and email to [ahom@mlhcpas.com](mailto:ahom@mlhcpas.com).

Sincerely,

*Moss, Levy & Hartzheim LLP*

Moss, Levy & Hartzheim LLP



May 5, 2020

Heritage Ranch Community Services District  
4870 Heritage Road  
Paso Robles, CA 93446

We are pleased to confirm our understanding of the services we are to provide Heritage Ranch Community Services District (the District) for the fiscal years ended June 30, 2020, 2021, and 2022. We will audit the financial statements, including the related notes to the financial statements, which collectively comprise the basic financial statements of the District as of and for the fiscal years ended June 30, 2020, 2021, and 2022. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the District's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by U.S. Generally Accepted Accounting Principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis
- 2) Schedule of Proportionate Share of Net Pension Liability
- 3) Schedule of Pension Contributions
- 4) Schedule of OPEB Liability and Related Ratios
- 5) Schedule of OPEB Contributions

### **Audit Objectives**

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. Generally Accepted Accounting Principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of the District and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of the District's financial statements. Our report will be addressed to Heritage Ranch Community Services District. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or may withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will include a paragraph that states (1) that the

purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that the District is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. Generally Accepted Auditing Standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

### **Audit Procedures—General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by U.S. Generally Accepted Auditing Standards.

### **Audit Procedures—Internal Control**

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

## **Audit Procedures—Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the District's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance, and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

## **Other Services**

We will also assist in preparing the financial statements and related notes of the District in conformity with U.S. Generally Accepted Accounting Principles based on information provided by you. We will also perform the additional service of preparing the District's Special Districts Financial Transactions Report in accordance with the records provided to us by the District's management. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*.

## **Management Responsibilities**

Management is responsible for establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with U.S. Generally Accepted Accounting Principles, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that we report.

You are responsible for the preparation of the supplementary information, which we have been engaged to report on, in conformity with U.S. Generally Accepted Accounting Principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

### **Engagement Administration, Fees, and Other**

We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to the District; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Moss, Levy & Hartzheim, LLP, and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Moss, Levy & Hartzheim, LLP, personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven years after the report release date. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin our audit on approximately August 1 each fiscal year and to issue our reports no later than December 15 each fiscal year. The preparation of the District's Financial Transaction Report will be completed no later than January 31 of each year. Ronald A. Levy, CPA is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, will not exceed \$8,195 for fiscal year ending June 30, 2020, \$8,485 for fiscal year ending June 30, 2021, and \$8,785 for fiscal year ending June 30, 2022. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

We appreciate the opportunity to be of service to Heritage Ranch Community Services District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

*Moss, Levy & Hartzheim LLP*

Moss, Levy & Hartzheim LLP

RESPONSE:

This letter correctly sets forth the understanding of Heritage Ranch Community Services District.

Management signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Governance signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## HERITAGE RANCH COMMUNITY SERVICES DISTRICT

### MEMORANDUM

**TO:** Board of Directors

**FROM:** Scott Duffield, General Manager

**DATE:** May 21, 2020

**SUBJECT:** Request to approve renewal of a conditional will serve letter for Vesting Tentative Tract Map 2879.

#### **Recommendation**

It is recommended that the Board of Directors approve renewal of a conditional will serve letter for Vesting Tentative Tract Map 2879.

#### **Background**

The District may, at its sole discretion, issue a conditional will serve letter to an applicant based on the conditions in Code Section 4.310, and any other conditions the District may deem appropriate. A conditional will serve shall expire in one year. Upon satisfying all of the conditions, the District would issue a final will serve. A conditional will serve allows the applicant to continue working on the County of San Luis Obispo Department of Planning and Building process towards recordation of a Final Map.

Your Board has previously issued a conditional will serve for this project most recently in 2019. The project has not changed. The staff report and conditional will serve letter from 2019 is attached.

#### **Discussion**

The applicant, H.R. Holding, has submitted this project to the County Planning & Building Department. The County forwarded the project to the District for comment. The District returned comments to the County along with a copy of the then current conditional will service letter approved by your Board in 2019. The applicant requested an updated letter for the record.

#### **Fiscal Considerations**

There are no direct fiscal impacts associated with this item.

## **Results**

Approval of a conditional will serve letter will provide the applicant an opportunity to continue to work on the Final Map pursuant to the County of San Luis Obispo development process.

Attachments: 2019 Conditional Will Serve Letter and Staff Report

File: TR 2879



## Heritage Ranch Community Services District

4870 Heritage Road, Paso Robles, CA 93446

(805) 227-6230 ~ Fax (805) 227-6231

[www.heritageranchcsd.com](http://www.heritageranchcsd.com)

May 16, 2019

H.R. Holding, LLC  
735 Tank Farm Road, Suite 130  
San Luis Obispo, CA 93401

### **Subject: Conditional Will Serve for Water & Sewer Service for Vesting Tentative Tract Map 2879**

The Heritage Ranch Community Services District (District) has adequate water and sewer capacity and will serve Vesting Tentative Tract Map 2879 with water and sewer services, subject to the following conditions:

1. This conditional will serve letter may only be used for the eight residential lots of Vesting Tentative Tract Map 2879 (Tract 2879).
2. This conditional will serve letter is for water and sewer services only.
3. This conditional will serve letter is valid for one year. If a Final Map for Tract 2879 has not been recorded by May 16, 2020, this conditional will serve letter shall no longer be valid.
4. A final will serve letter shall not be issued until 3.2 acre feet per year of water to supply Tract 2879 has been transferred to the District via contract with the San Luis Obispo County Flood Control and Water Conservation District. The District reserves the right to reevaluate the acre feet per year requirement for the Tract 2879 residential lots at the time of any subsequent transfers for further development of new tracts or other projects within the District. Transfers of future water rights may be adjusted upward or downward to account for over or under estimating the actual use of Tract 2879.
5. A final will serve shall not be issued if the Board of Directors implements Water Shortage Conservation Stage III – Drought in accordance with the District Code of Ordinances, Section 5.900 – Emergency Water Shortage Regulations and Staged Water Use Reduction Plan. Applications for will serve letters shall be placed on a waiting list.
6. In order to serve Tract 2879, improvements and additions to District facilities must be constructed, including but not limited to; the public water system, mains, hydrants, services, and the public sewer collection and treatment system. The applicant shall construct all such facilities necessary for Tract 2879 and provide all easements and

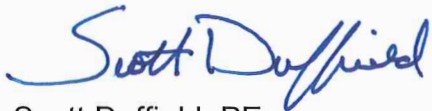
H.R. Holding  
TR 2879 Conditional Will Serve  
May 16, 2019

property transfers required by the District. The design of the improvements shall be approved by the District Engineer.

7. Prior to recording a Final Map for Tract 2879, all District improvements required to be constructed shall be constructed and accepted by the District, or the applicant shall enter into an improvement agreement and provide a financial guarantee (bond or letter of credit) to complete the construction. The form of the agreement and the amount of the guarantee shall be approved by the District.
8. The covenants, conditions and restrictions for Tract 2879 shall contain a water conservation landscape mandate for all residential lots within the Final Map. The type of landscaping shall be approved by the District before issuance of a final will serve for water.
9. This agreement is non-transferable.

If you have any questions or concerns with the conditions or terms of this letter, please let me know as soon as possible.

Sincerely,



Scott Duffield, PE  
General Manager

C: Board of Directors  
District Engineer

File: TR 2879

## HERITAGE RANCH COMMUNITY SERVICES DISTRICT

### MEMORANDUM

**TO:** Board of Directors

**FROM:** Scott Duffield, General Manager

**DATE:** May 16, 2019

**SUBJECT:** Request to review and consider approval of a conditional will serve letter for Vesting Tentative Tract Map 2879, and provide direction to staff.

#### **Recommendation**

It is recommended that the Board of Directors review and consider approval of a conditional will serve letter for Vesting Tentative Tract Map 2879, and provide direction to staff.

#### **Background**

The will serve procedures are outlined in District Code of Ordinances (Code), Section 4.300. A will serve commitment by the District can only be made if there is adequate water supply, facilities, and capacity, and adequate waste water treatment, disposal, and collection capacity, or the applicant has entered into an agreement with the District to ensure they will be adequate.

The District may, at its sole discretion, issue a conditional will serve letter to an applicant based on the conditions in Code Section 4.310, and any other conditions the District may deem appropriate. A conditional will serve shall expire in one year. Upon satisfying all of the conditions, the District would issue a final will serve. A conditional will serve allows the applicant to continue working on the County of San Luis Obispo Department of Planning and Building process towards recordation of a Final Map.

#### **Discussion**

The applicant, H.R. Holding (Applicant), has submitted a request for a will serve letter for Vesting Tentative Tract Map 2879 (Tract 2879). Tract 2879 is a proposal to subdivide a 2.17 acre parcel located on the south side of Gateway Drive near the HROA Gatehouse into eight residential parcels of approximately ¼ acre in size.

The Applicant started work on this project over thirteen years ago, and the District previously issued several conditional will serves for water and sewer service for Tract 2879 the latest of which expired in February 2019.

One of San Luis Obispo County's conditions of approval for Tract 2879 is a final will serve letter from the District for water and sewer service. The Final Map can only be approved by the County if the Applicant receives a final will serve letter indicating the District is

ready and able to provide water and sewer to the project.

As mentioned above, the District may, at its sole discretion, issue a conditional will serve letter to an applicant based on the conditions in Code Section 4.310, and any other conditions the District may deem appropriate. A conditional will serve shall expire in one year. Upon satisfying all of the conditions of the conditional will serve, the District would issue a final will serve.

An important issue to remember is that the Applicant has not yet submitted water/sewer improvement plans for the project. Only a cursory review of the submitted Vesting Tentative Tract Map 2879 grading, drainage, & utility plan (two sheets) was performed by staff and the District Engineer. This cursory review indicates that we could serve Tract 2879 with water and sewer service subject to the conditions in the attached draft conditional will serve letter.

A preliminary list of identified items that will need to be looked at closer during the plan check include but are not limited to:

- Evaluation of sewer system to Lift Station 1
- Evaluation of impacts to Lift Station 1
- Evaluation of sewer system to Lift Station 3
- Evaluation of impacts to Lift Station 3
- Evaluation of force main from Lift Station 3

The attached draft conditional will serve letter for Tract 2879 for your Board's discussion and consideration contains the same language and conditions as the letter approved by your Board in February 2018.

### **Fiscal Considerations**

The Developer previously paid the Gallery Well fees and 30% of the water/sewer capacity charges and hookup fees as required pursuant to Ordinance 4.700 and 4.310 respectively.

The Applicant has entered into an agreement to reimburse the District for any and all District costs associated with Tract 2879.

### **Results**

Approval of a conditional will serve letter will provide the Applicant an opportunity to continue to work on the Final Map pursuant to the County of San Luis Obispo development process, and still provide the District the opportunity to place conditions on the proposed new development during the subsequent comprehensive plan review process, and new development agreement.

Attachments: Draft conditional will serve letter

File: TR 2879

## HERITAGE RANCH COMMUNITY SERVICES DISTRICT

### MEMORANDUM

**TO:** Board of Directors

**FROM:** Scott Duffield, General Manager

**DATE:** May 21, 2020

**SUBJECT:** Request to approve renewal of a conditional will serve letter for Vesting Tentative Tract Map 3110.

#### **Recommendation**

It is recommended that the Board of Directors approve renewal of a conditional will serve letter for Vesting Tentative Tract Map 3110.

#### **Background**

The District may, at its sole discretion, issue a conditional will serve letter to an applicant based on the conditions in Code Section 4.310, and any other conditions the District may deem appropriate. A conditional will serve shall expire in one year. Upon satisfying all of the conditions, the District would issue a final will serve. A conditional will serve allows the applicant to continue working on the County of San Luis Obispo Department of Planning and Building process towards recordation of a Final Map.

Your Board has previously issued a conditional will serve for this project most recently in 2019. The project has not changed. The staff report and conditional will serve letter from 2019 is attached.

#### **Discussion**

The applicant, H.R. Holding, has submitted this project to the County Planning & Building Department. The County forwarded the project to the District for comment. The District returned comments to the County along with a copy of the then current conditional will service letter approved by your Board in 2019. The applicant requested an updated letter for the record.

#### **Fiscal Considerations**

There are no direct fiscal impacts associated with this item.

## **Results**

Approval of a conditional will serve letter will provide the applicant an opportunity to continue to work on the Final Map pursuant to the County of San Luis Obispo development process.

Attachments: 2019 Conditional Will Serve Letter and Staff Report

File: TR 3110



## Heritage Ranch Community Services District

4870 Heritage Road, Paso Robles, CA 93446

(805) 227-6230 ~ Fax (805) 227-6231

[www.heritageranchcsd.com](http://www.heritageranchcsd.com)

May 16, 2019

H.R. Holding, LLC  
735 Tank Farm Road, Suite 130  
San Luis Obispo, CA 93401

### **Subject: Conditional Will Serve for Water & Sewer Service for Vesting Tentative Tract Map 3110**

The Heritage Ranch Community Services District (District) has adequate water and sewer capacity and will serve Vesting Tentative Tract Map 3110 with water and sewer services, subject to the following conditions:

1. This conditional will serve letter may only be used for the sixty residential lots of Vesting Tentative Tract Map 3110 (Tract 3110).
2. This conditional will serve letter is for water and sewer services only.
3. This conditional will serve letter is valid for one year. If a Final Map for Tract 3110 has not been recorded by May 16, 2020, this conditional will serve letter shall no longer be valid.
4. A final will serve letter shall not be issued until 24.0 acre feet per year of water to supply Tract 3110 has been transferred to the District via contract with the San Luis Obispo County Flood Control and Water Conservation District. The District reserves the right to reevaluate the acre feet per year requirement for the Tract 3110 residential lots at the time of any subsequent transfers for further development of new tracts or other projects within the District. Transfers of future water rights may be adjusted upward or downward to account for over or under estimating the actual use of Tract 3110.
5. A final will serve shall not be issued if the Board of Directors implements Water Shortage Conservation Stage III – Drought in accordance with the District Code of Ordinances, Section 5.900 – Emergency Water Shortage Regulations and Staged Water Use Reduction Plan. Applications for will serve letters shall be placed on a waiting list.
6. A final will serve letter shall not be issued until the applicant has paid in full the then applicable gallery well improvement fee pursuant to Heritage Ranch Community

H.R. Holdings  
TR 3110 Conditional Will Serve  
May 16, 2019

Services District Code of Ordinances, Section 4.760, and 30% of the water and sewer capacity charges and hook-up fees pursuant to Section 4.310, for all lots within the proposed Tract 3110.

7. In order to serve Tract 3110, improvements and additions to District facilities must be constructed, including but not limited to; the public water system, mains, hydrants, services, and the public sewer collection and treatment system. The applicant shall construct all such facilities necessary for Tract 3110 and provide all easements and property transfers required by the District. The design of the improvements shall be approved by the District Engineer.
8. Prior to recording a Final Map for Tract 3110, all District improvements required to be constructed shall be constructed and accepted by the District, or the applicant shall enter into an improvement agreement and provide a financial guarantee (bond or letter of credit) to complete the construction. The form of the agreement and the amount of the guarantee shall be approved by the District.
9. The covenants, conditions and restrictions for Tract 3110 shall contain a water conservation landscape mandate for all residential lots within the Final Map. The type of landscaping shall be approved by the District before issuance of a final will serve for water.
10. This agreement is non-transferable.

If you have any questions or concerns with the conditions or terms of this letter, please let me know as soon as possible.

Sincerely,



Scott Duffield, PE  
General Manager

C: Board of Directors  
District Engineer

File: TR 3110

## HERITAGE RANCH COMMUNITY SERVICES DISTRICT

### MEMORANDUM

**TO:** Board of Directors

**FROM:** Scott Duffield, General Manager

**DATE:** May 16, 2019

**SUBJECT:** Request to review and consider approval of a conditional will serve letter for Vesting Tentative Tract Map 3110, and provide direction to staff.

#### **Recommendation**

It is recommended that the Board of Directors review and consider approval of a conditional will serve letter for Vesting Tentative Tract Map 3110, and provide direction to staff.

#### **Background**

The will serve procedures are outlined in District Code of Ordinances (Code), Section 4.300. A will serve commitment by the District can only be made if there is adequate water supply, facilities, and capacity, and adequate waste water treatment, disposal, and collection capacity, or the applicant has entered into an agreement with the District to ensure they will be adequate.

The District may, at its sole discretion, issue a conditional will serve letter to an applicant based on the conditions in Code Section 4.310, and any other conditions the District may deem appropriate. A conditional will serve shall expire in one year. Upon satisfying all of the conditions, the District would issue a final will serve. A conditional will serve allows the applicant to continue working on the County of San Luis Obispo Department of Planning and Building process towards recordation of a Final Map.

#### **Discussion**

The applicant, H.R. Holding (Applicant), has submitted a request for a will serve letter for Vesting Tentative Tract Map 3110 (Tract 3110). Tract 3110 is a proposal to subdivide a 13.59 acre parcel located on Equestrian Road. The parcel is Lot 5 of Tract 1904-1 and is currently used for recreational vehicle storage. The lots are proposed to be approximately 4,400 square feet in size.

The District previously issued a conditional will serve for water and sewer service for Tract 3110 which expired in February 2019.

One of San Luis Obispo County's conditions of approval for Tract 3110 is a final will serve letter from the District for water and sewer service. The Final Map can only be approved by

the County if the Applicant receives a final will serve letter indicating the District is ready and able to provide water and sewer to the project.

As mentioned above, the District may, at its sole discretion, issue a conditional will serve letter to an applicant based on the conditions in Code Section 4.310, and any other conditions the District may deem appropriate. A conditional will serve shall expire in one year. Upon satisfying all of the conditions of the conditional will serve, the District would issue a final will serve.

An important issue to remember is that the Applicant has not yet submitted water/sewer improvement plans for the project. Only a cursory review of the submitted Vesting Tentative Tract Map 3110 grading, drainage, & utility plan (two sheets) was performed by staff and the District Engineer. This cursory review indicates that we could serve Tract 3110 with water and sewer service subject to the conditions in the attached draft conditional will serve letter.

A preliminary list of identified items that will need to be looked at closer during the plan check include but are not limited to:

- Evaluation of sewer system to Lift Station 3
- Evaluation of impacts to Lift Station 3
- Evaluation of force main from Lift Station 3

The attached draft conditional will serve letter for Tract 3110 for your Board's discussion and consideration contains the same language and conditions as the letter approved by your Board in February 2018.

### **Fiscal Considerations**

Prior to issuing a final will serve letter, the Applicant shall pay the then current Gallery Well fee, and 30% of the water/sewer capacity charges and hookup fees as required pursuant to Ordinance 4.700 and 4.310 respectively.

The Applicant has entered into an agreement to reimburse the District for any and all District costs associated with Tract 3110.

### **Results**

Approval of a conditional will serve letter will provide the Applicant an opportunity to continue to work on the Final Map pursuant to the County of San Luis Obispo development process, and still provide the District the opportunity to place conditions on the proposed new development during the subsequent comprehensive plan review process, and new development agreement.

Attachments: Draft conditional will serve letter

File: TR 3110

## HERITAGE RANCH COMMUNITY SERVICES DISTRICT

### MEMORANDUM

**TO:** Board of Directors

**FROM:** Scott Duffield, General Manager

**DATE:** May 21, 2020

**SUBJECT:** Request to receive and file Photovoltaic System Project updates.

#### **Recommendation**

It is recommended that the Board of Directors receive and file Photovoltaic System Project updates.

#### **Background**

Your Board approved the Photovoltaic System Project (Project) at the January 16, 2020 meeting and selected Stockman's Energy, Inc. as the most qualified proposer. The Notice to Proceed was issued March 3, 2020.

#### **Project Updates**

##### **Project Scope**

The contractor is generally working on design, submittals, permits, and interconnection agreements. The project meetings are weekly currently. A three-week timeline is used for discussion during these meetings. Listed below are the status of some of the specific work items:

Prior Week (May 4):

- *PG&E Engineering Review continues.*
- *Received response from PG&E service planner regarding 50' PG&E easement. Robert Gibbons stated he could not provide intelligent answer. Spoke with Scott and Steve regarding alternate approach.*
- *District provided feedback on 90% Drawings for WTP.*
- *Still Awaiting Structural Calculations for Seismic and Wind Load Requirements Submittal.*
- *COVID 19 has slowed our Subcontractor RBI's turnaround time on Drawings and Calculations. It has also decreased SLO County capacity and slowed their Permit review process. Stockman's will continue to push hard to stay on schedule and try to minimize the effect on Project Timeline.*

Current Week (May 11):

- *PG&E Engineering Review continues for WTP.*
- *PG&E Engineering Review returned for WWTP.*
- *Scott returned signed forms 5/12. Stockman's returned to PG&E 5/12. PG&E Estimating Process to begin this week or by 5/18.*
- *Awaiting response from Perla De Leon or Scott's PG&E contact on 50' easement.*
- *Submittal 005A.1 revision returned for District review.*
- *Submittal 006 WWTP Stockman's Drawing submitted for District review.*
- *Submittal 007 and 008 (Siemens Switchgear Drawing for both sites) submitted for District review.*
- *RBI to return updated 90% drawings to Stockman's for WWTP and WTP. They are continuing to see impacts from COVID 19 affecting turnaround time.*
- *Stockman's will submit the site plan showing property line setbacks for panels/electrical gear and lease agreement that was provided by Scott to SLO County for review.*
- *Still Awaiting Structural Calculations for Seismic and Wind Load Requirements Submittal.*
- *COVID 19 has slowed our Subcontractor RBI's turnaround time on Drawings and Calculations. It has also decreased SLO County capacity and slowed their Permit review process. Stockman's will continue to push hard to stay on schedule and try to minimize the effect on Project Timeline.*

Next Week (May 18):

- *PG&E Interconnection Estimating process to continue for WWTP.*
- *PG&E Interconnection Engineering Review will be completed WTP.*
- *PG&E Interconnection Estimating process to begin for WTP.*
- *Any Final adjustments to plans and drawings will be made pending District Review of Construction Drawings.*
- *Ready for Construction Stamped Drawings will be requested from mechanical subcontractor RBI.*
- *Permits will be submitted to SLO County. County review process will commence.*

The contractor received information from PG&E that the engineering and planning review has been completed for the WWTP site and is deemed "PASSED – but PG&E System upgrade work required". That work is to upgrade the transformer from 75 kVA to 150 kVA (District cost) as well as upgrade the line regulators from bi-directional mode to co-generation mode (PG&E cost). The non-binding cost-estimate from PG&E for the transformer upgrade at the WWTP is shown below. This was anticipated and there is contingency built into the funding. A similar finding is expected for the WTP site

Estimated Cost of Transformer upgrade (+/- 50%)	\$31,233.00
ITCC Tax (24%) – Estimated cost X 24%	\$7,495.92
Initial Charge	\$38,728.92
<u>One-Time Cost of Ownership Charge</u> Estimated cost X 0.53% X 12 X 14.04	\$27,888.49
<b>Total Estimated Cost</b>	<b>\$66,617.41</b>

## Project Schedule

**As of May 1, the project percent complete by time = 26%**

The overall project is on schedule. The project schedule dated 4/29/20 is attached. Some tasks of interest for this month and their status are:

- PG&E Interconnection Process: Initial Review – completed
- District Permit Review – on schedule
- PG&E Interconnection Process: Engineering Review – on schedule

## Project Budget

**As of May 1, the project percent complete by cost = 36%**

The contractor has not had any eligible costs for April or May; therefore, there were no requests for progress payment submitted during these months.

## Fiscal Considerations

The FY 2019/20 Budget includes \$79,868 for project management costs. The FY2020/21 Budget will reflect Project needs.

The private placement loan funded on April 29, 2020. The final numbers are attached.

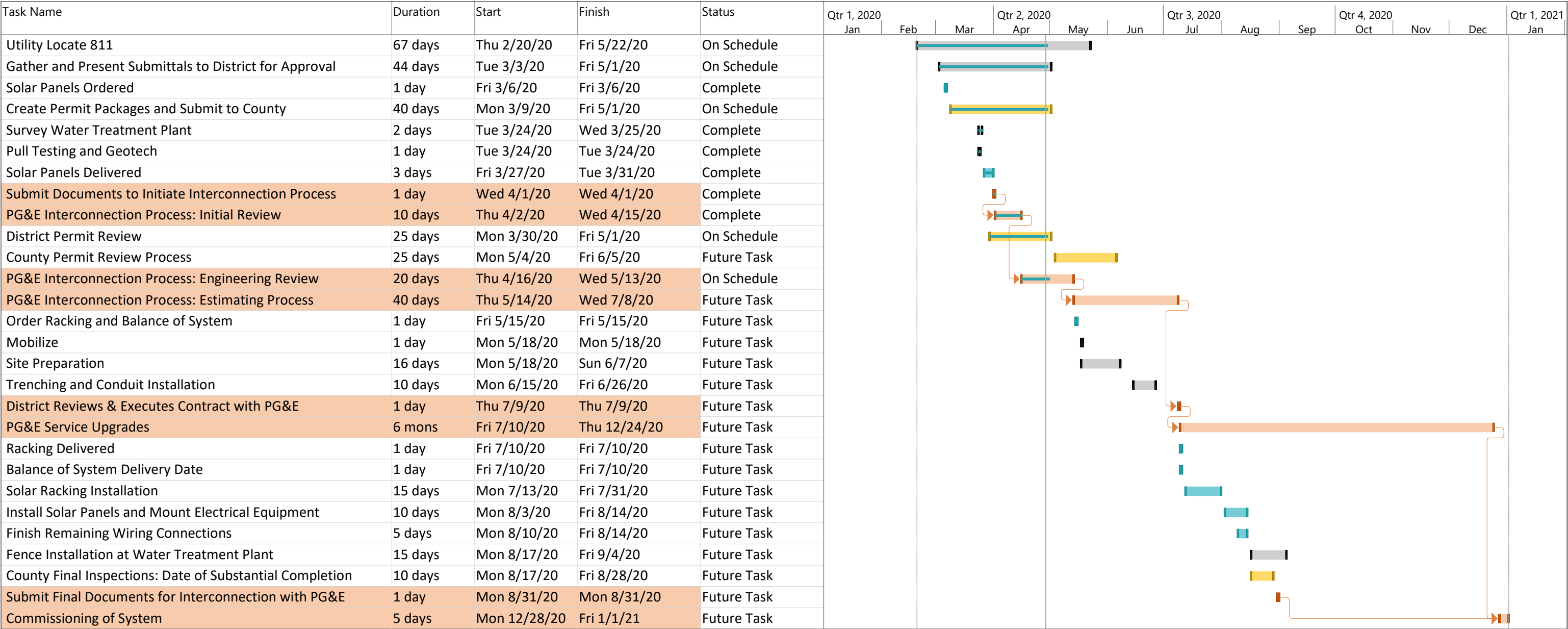
Substantial energy cost savings will also be realized once the Project is online.

## Results

Receipt and file of this report keeps the Board formally informed on progress of the Project.

Attachments: Project Schedule dated 4/29/20  
Project Financing Overview

File: Projects\_PVS



Heritage Ranch CSD Solar Project 2020 Wed 4/29/20	Task		Project Summary		Manual Task		Start-only		Deadline	
	Split		Inactive Task		Duration-only		Finish-only		Progress	
	Milestone		Inactive Milestone		Manual Summary Rollup		External Tasks		Manual Progress	
	Summary		Inactive Summary		Manual Summary		External Milestone			

**\$1,707,000**  
**Lease Agreement, dated as of April 1, 2020,**  
**by and between Western Alliance Business Trust**  
**and Heritage Ranch Community Services District**

**CLOSING CERTIFICATE OF THE HERITAGE RANCH  
COMMUNITY SERVICES DISTRICT**

The undersigned, General Manager of the Heritage Ranch Community Services District (the “District”), hereby states and certifies in connection with the execution and delivery of that certain Lease Agreement, dated as of April 1, 2020 (the “Lease Agreement”), by and between Western Alliance Business Trust, a Delaware statutory trust (the “Corporation”), and the District:

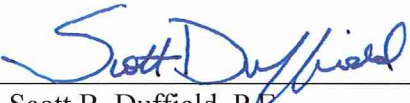
1. the Lease Agreement is in full force and effect and has not been amended in any respect;
2. the representations of the District in the Lease Agreement are true and correct on and as of the date hereof as if made on and as of the date hereof, and the District has complied with and performed all of its covenants and agreements in the Lease Agreement to be complied with and performed at or prior to the date hereof; and
3. the District acknowledges receipt from the Corporation of the amount of \$1,651,320.01 as specified in Section 3.01 of the Lease Agreement and the District has caused such amount to be deposited into the Project Fund (as defined in the Lease Agreement”) established and held by the District.

This certificate is dated April 29, 2020.

[Signature page follows]

IN WITNESS WHEREOF, the undersigned has hereunto set his or her signature as of the date written above.

**HERITAGE RANCH COMMUNITY  
SERVICES DISTRICT**

By   
\_\_\_\_\_  
Scott B. Duffield, P.E.  
General Manager

[Signature Page to the Closing Certificate of the District]

Sources and Uses of Funds		
Heritage Ranch CSD		
2020 Equipment Lease Financing (Revised Final Numbers)		
Sources:		
Bond Proceeds:		
	Par Amount	1,707,000.00
		1,707,000.00
Uses:		
Project Fund Deposits:		
	Project Fund	1,600,766.78
Other Fund Deposits:		
	Capitalized Interest Fund	51,320.01
Delivery Date Expenses:		
	Cost of Issuance	54,913.21
		1,707,000.00

Cost of Issuance  
Heritage Ranch CSD

2020 Equipment Lease Financing (Revised Final Numbers)

Cost of Issuance	Amount
Municipal Advisor	15,947.46
Placement Agent	15,000.00
Bond Counsel	15,000.00
Lender's Legal	8,500.00
CDIAC	426.75
UCC Filing Fee	39.00
	54,913.21

## Bond Summary Statistics

## Heritage Ranch CSD

## 2020 Equipment Lease Financing (Revised Final Numbers)

Dated Date	4/29/2020
Delivery Date	4/29/2020
Last Maturity	4/1/2035

Arbitrage Yield	3.260234%
True Interest Cost (TIC)	3.260234%
Net Interest Cost (NIC)	3.260000%
All-In TIC	3.709503%
Average Coupon	3.260000%

Average Life (years)	8.699
Duration of Issue (years)	7.443

Par Amount	1,707,000.00
Bond Proceeds	1,707,000.00
Total Interest	484,068.71
Net Interest	484,068.71
Total Debt Service	2,191,068.71
Maximum Annual Debt Service	153,410.80
Average Annual Debt Service	146,832.60

## Underwriter's Fees (per \$1000)

Average Takedown
Other Fee

## Total Underwriter's Discount

Bid Price	100.000000
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Bond Component	Par Value	Price	Average Coupon	Average Life
Bond Component	1,707,000.00	100.000	3.260%	8.699
	1,707,000.00			8.699

	TIC	All-In TIC	Arbitrage Yield
Par Value	1,707,000.00	1,707,000.00	1,707,000.00
+ Accrued Interest			
+ Premium (Discount)			
- Underwriter's Discount			
- Cost of Issuance Expense		-54,913.21	
- Other Amounts			
Target Value	1,707,000.00	1,652,086.79	1,707,000.00
Target Date	4/29/2020	4/29/2020	4/29/2020
Yield	3.260234%	3.709503%	3.260234%

Bond Debt Service  
Heritage Ranch CSD  
2020 Equipment Lease Financing (Revised Final Numbers)

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
10/1/2020			23,495.91	23,495.91	
4/1/2021			27,824.10	27,824.10	51,320.01
10/1/2021	49,000	3.260%	27,824.10	76,824.10	
4/1/2022	49,000	3.260%	27,025.40	76,025.40	152,849.50
10/1/2022	50,000	3.260%	26,226.70	76,226.70	
4/1/2023	51,000	3.260%	25,411.70	76,411.70	152,638.40
10/1/2023	52,000	3.260%	24,580.40	76,580.40	
4/1/2024	53,000	3.260%	23,732.80	76,732.80	153,313.20
10/1/2024	54,000	3.260%	22,868.90	76,868.90	
4/1/2025	54,000	3.260%	21,988.70	75,988.70	152,857.60
10/1/2025	55,000	3.260%	21,108.50	76,108.50	
4/1/2026	56,000	3.260%	20,212.00	76,212.00	152,320.50
10/1/2026	57,000	3.260%	19,299.20	76,299.20	
4/1/2027	58,000	3.260%	18,370.10	76,370.10	152,669.30
10/1/2027	59,000	3.260%	17,424.70	76,424.70	
4/1/2028	60,000	3.260%	16,463.00	76,463.00	152,887.70
10/1/2028	61,000	3.260%	15,485.00	76,485.00	
4/1/2029	62,000	3.260%	14,490.70	76,490.70	152,975.70
10/1/2029	63,000	3.260%	13,480.10	76,480.10	
4/1/2030	64,000	3.260%	12,453.20	76,453.20	152,933.30
10/1/2030	65,000	3.260%	11,410.00	76,410.00	
4/1/2031	66,000	3.260%	10,350.50	76,350.50	152,760.50
10/1/2031	67,000	3.260%	9,274.70	76,274.70	
4/1/2032	68,000	3.260%	8,182.60	76,182.60	152,457.30
10/1/2032	69,000	3.260%	7,074.20	76,074.20	
4/1/2033	71,000	3.260%	5,949.50	76,949.50	153,023.70
10/1/2033	72,000	3.260%	4,792.20	76,792.20	
4/1/2034	73,000	3.260%	3,618.60	76,618.60	153,410.80
10/1/2034	74,000	3.260%	2,428.70	76,428.70	
4/1/2035	75,000	3.260%	1,222.50	76,222.50	152,651.20
	1,707,000		484,068.71	2,191,068.71	2,191,068.71

Net Debt Service  
Heritage Ranch CSD  
2020 Equipment Lease Financing (Revised Final Numbers)

Date	Principal	Interest	Total Debt Service	Capitalized Interest Fund	Net Debt Service	Annual Net D/S
10/1/2020		23,495.91	23,495.91	23,495.91		
4/1/2021		27,824.10	27,824.10	27,824.10		
10/1/2021	49,000	27,824.10	76,824.10		76,824.10	
4/1/2022	49,000	27,025.40	76,025.40		76,025.40	152,849.50
10/1/2022	50,000	26,226.70	76,226.70		76,226.70	
4/1/2023	51,000	25,411.70	76,411.70		76,411.70	152,638.40
10/1/2023	52,000	24,580.40	76,580.40		76,580.40	
4/1/2024	53,000	23,732.80	76,732.80		76,732.80	153,313.20
10/1/2024	54,000	22,868.90	76,868.90		76,868.90	
4/1/2025	54,000	21,988.70	75,988.70		75,988.70	152,857.60
10/1/2025	55,000	21,108.50	76,108.50		76,108.50	
4/1/2026	56,000	20,212.00	76,212.00		76,212.00	152,320.50
10/1/2026	57,000	19,299.20	76,299.20		76,299.20	
4/1/2027	58,000	18,370.10	76,370.10		76,370.10	152,669.30
10/1/2027	59,000	17,424.70	76,424.70		76,424.70	
4/1/2028	60,000	16,463.00	76,463.00		76,463.00	152,887.70
10/1/2028	61,000	15,485.00	76,485.00		76,485.00	
4/1/2029	62,000	14,490.70	76,490.70		76,490.70	152,975.70
10/1/2029	63,000	13,480.10	76,480.10		76,480.10	
4/1/2030	64,000	12,453.20	76,453.20		76,453.20	152,933.30
10/1/2030	65,000	11,410.00	76,410.00		76,410.00	
4/1/2031	66,000	10,350.50	76,350.50		76,350.50	152,760.50
10/1/2031	67,000	9,274.70	76,274.70		76,274.70	
4/1/2032	68,000	8,182.60	76,182.60		76,182.60	152,457.30
10/1/2032	69,000	7,074.20	76,074.20		76,074.20	
4/1/2033	71,000	5,949.50	76,949.50		76,949.50	153,023.70
10/1/2033	72,000	4,792.20	76,792.20		76,792.20	
4/1/2034	73,000	3,618.60	76,618.60		76,618.60	153,410.80
10/1/2034	74,000	2,428.70	76,428.70		76,428.70	
4/1/2035	75,000	1,222.50	76,222.50		76,222.50	152,651.20
	1,707,000	484,068.71	2,191,068.71	51,320.01	2,139,748.70	2,139,748.70

## HERITAGE RANCH COMMUNITY SERVICES DISTRICT

### Manager Report For the Month of May 2020

In addition to normal operations and administrative duties, below are updates for several areas of work:

#### Administration

- COVID-19 has obviously effected District operations as it has life. The Manager is monitoring the County plan for re-opening. Given the positive response we have seen in these new ways of doing business, the Manager will consider reopening our front office to the public at reduced hours, or reduced days, and a by appointment option for those things that may require in-person interaction. In anticipation of employee-public contact at the front counter, a plexiglass screen was installed across the entire width of the front counter leaving space between the countertop and bottom of the plexiglass to pass documents through.
- The Finance & Audit Committee convened to discuss the proposals received for professional auditing services, and the timing of the FY 2020/21 Budget.

#### Operations

- The Manager coordinated a conference call with staff, MKN, and the Division of Drinking Water (DDW) to discuss the progress of work to address the elevated haloacetic acids in our treated water. MKN had prepared a draft testing plan that was shared with DDW who had questions and concerns. The discussion focused on addressing possible distribution system opportunities first before we make significant treatment changes. These opportunities may be looping of the system, tank mixing improvements, tank re-routing, increased system looping, and a regular flushing program to name several. The first step that is underway currently is to perform a water age study. Results from the study will follow with recommendations.
- Prepared and submitted the wastewater Time Schedule Order 1<sup>st</sup> Quarter Report.
- Prepared and submitted the Disinfection Byproduct Monthly Report.
- Prepared and submitted the Water Treatment Plant Monthly Report.
- Prepared and submitted the Hazardous Materials Business Plan Annual Report.
- Additional updates regarding operations can be found in the Operations Report.

#### Solid Waste

- The Household Hazardous Waste facility re-opened May 1.

- The HROA General Manager has requested a re-visit of the individual containers versus commercial bin issue for Tract 447. The Manager and San Miguel Garbage Company will work with HROA to address the commercial bin situation and report back to your Board.

### Reservoir Status

- As reported by Monterey County Water Resources Agency (MCWRA), as of May 14, 2020, the reservoir was at approximately 761.5 feet in elevation, 51% of capacity, or 192,825-acre feet of storage. MCWRA water releases were shown as 200 cfs.
- The 200 cfs is low for this time of year and total required releases are being supplemented by releases of 250 cfs from San Antonio. This is because MCWRA needs to do work on the lower level outlet valves in mid-June and still needs to be able to release water through the upper level gates. The invert (bottom) of that outlet is at 759 feet in elevation. Therefore, they are only releasing 200 cfs so that there is enough water (elevation) left to release through the upper gates come mid-June. The Manager is monitoring and will be in communication with MCWRA.

### Capital Improvement Program (current FY)

Projects / equipment replacement planned for this fiscal year and their status include:

- WTP Actuator Replacement: Complete.
- Vertical Intake: The design phase is in progress. Cleath-Harris Geologists has completed the field survey using HVSr passive seismic survey technology which essentially maps the bedrock. The final siting recommendation will be incorporated into the specifications for construction.
- Lift Station 5 connection to Lift Station 10: No activity
- Lift Station 1-5 rehabilitation design phase: Development of contract documents underway by the District Engineer.
- VOiP System: Complete.

### Development

- There are separate items on the agenda for Tract 2879 and Tract 3110, for which your Board has previously issued conditional will serve letters.
- There has been no new activity for the RV / boat storage facility (DRC2019-00099) for which your Board has issued a conditional will serve.

### Public Relations and Community

- Nothing significant to report.

### Human Resources

- The term of the Memorandum of Understanding with the employee's association is through June 30, 2020. The Board should anticipate entering negotiations for renewal of the MOU in the next couple of months.

### Board Member & Staff Information and Learning Opportunities

- The calendar of events for CSDA is published and online. There are many different training opportunities for Directors and Staff including on-demand webinars.

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**HERITAGE RANCH COMMUNITY SERVICES DISTRICT  
APRIL 2020 OFFICE REPORT**

**Water & Sewer**

On May 1<sup>st</sup>, we processed 1,917 bills for a total dollar amount of \$138,093 for water and sewer user fees for the month of April. The number of Automatic Drafts processed was 556 for a total dollar amount of \$36,605. On April 26<sup>th</sup> we processed 234 Late Notices.

**San Miguel Garbage Franchise Fees**

Each month, the District receives franchise fees from the previous month. The breakdown is as follows:

Month of March

Garbage Collection (10%) - \$ 5,713.36

Roll-Off Collection (10%) - \$197.79

Total Franchise Fees Collected - \$ 5,911.15

**Service Orders Completed**

Staff completed a total of 268 service orders for the month of April. Below is a breakdown by job code.

OCCUPANT CHANGE	14	SWAP/PULL METER	232
USA	12	UNLOCK	3
LEAK	3	AMR DATA LOG	1
CALL OUT	1	PRESSURE	1
SEWER INSPECTION	1		

## **HERITAGE RANCH COMMUNITY SERVICES DISTRICT**

### **Operations Report For the Month of May 2020**

In addition to normal operations duties, below are other tasks / updates for several areas of work:

#### Water treatment

- Increased powdered activated carbon and potassium permanganate doses to decrease toc in an effort to reduce disinfection byproducts

#### Water distribution

- Flushed entire distribution system to reduce water age in system and prevent colored water
- Conducted iron and manganese spot tests to forecast possible colored water scenarios
- Cycled 2 mgt
- Fixed broken service lines on Longview Lane and Cruise Circle
- Repaired sheared off fire hydrant on pinto lane and rebuilt inner valve assembly
- Converted a dry barrel fire hydrant on partridge lane to a wet barrel system in order to obtain parts for fire hydrant on pinto lane
- Replaced 203 dysfunctional registers on water meters throughout distribution system

#### Wastewater collections

- Repaired sewer manhole in green belt of Tract 446
- Located sewer laterals in Tract 1990 for new tie-ins

#### Wastewater treatment

- Repaired broken line in sand filter #3
- Batched Pond 3 to allow time for sand filters to dry out and reduce sample and courier costs

- Increased pump hours to accommodate increased influent

#### Vehicles and equipment

- Hired a welder to weld fork attachments on new John Deere backhoe

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