

**Western Riverside County
Regional Conservation Authority**

**Independent Accountants' Report on Applying
Agreed-Upon Procedures for the
City of Lake Elsinore**

For the Year Ended June 30, 2015



**INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors
Western Riverside County Regional
Conservation Authority

We have performed the procedures enumerated in Attachment A, which were agreed to by the management of the Western Riverside County Regional Conservation Authority (RCA) solely to assist you in determining that Multiple Species Habitat Conservation Plan (MSHCP) fees were collected and remitted by the City of Lake Elsinore (City) in accordance with the MSHCP Implementing Agreement and the Joint Exercise of Powers Agreement (JPA creating the RCA dated January 27, 2004) for the fiscal year ending June 30, 2015. The City is responsible for the collection and remittance of MSHCP fees.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the management of the RCA. Consequently, we make no representations regarding the sufficiency of the procedures described in Attachment A, either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are listed in Attachment A.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the collection and remittance of MSHCP fees. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management and the Board of the Western Riverside County Regional Conservation Authority and is not intended to be, and should not be, used by anyone other than those specified parties.

Vavrinek, Trine, Day & Co., LLP

Riverside, California,
March 24, 2017

**WESTERN RIVERSIDE COUNTY REGIONAL CONSERVATION AUTHORITY
AGREED-UPON PROCEDURES AND FINDINGS – CITY OF LAKE ELSINORE
FOR THE YEAR ENDED JUNE 30, 2015**

ATTACHMENT A

Our procedures and findings are as follows:

1. Obtain any updates to each Member Agency's ordinance for collection of the Multiple Species Habitat Conservation Plan (MSHCP) fees.

Findings – No updates were noted. We obtained Ordinance No. 1124 which established the development mitigation fee for funding the preservation of ecosystems in accordance with the MSHCP.

2. Upon obtaining the updates, determine if the ordinance is in accordance with the MSHCP Implementing Agreement and Joint Powers Agreement.

Findings – The RCA prepared a model ordinance for the member agencies to be in accordance with the MSHCP Implementing Agreement and JPA. The City ordinance was in agreement with the model ordinance except for the following:

- Section 1.I of the City ordinance was not included in the model ordinance which states, "The fee set forth herein does not reflect the entire cost of the lands which need to be acquired in order to implement the MSHCP and mitigate the impact caused by new development. Additional revenues will be required from other sources. The City Council finds that the benefit to each development project is greater than the amount of the fee to be paid by the project."
- Section 1.J of the model ordinance was not included in the City ordinance.
- Section 11 of the model ordinance requires prior approval by the RCA before granting local development fee credits or waivers, whereas Section 11 of the City ordinance gives the RCA a cooperative role and audit power in granting the fee credits or waivers.

3. Determine if fees on the building permits are collected in accordance with the Member Agency ordinance.

Findings – The City ordinance states that the MSHCP fee must be collected prior to the issuance of the permit. We tested 38 permits as described in procedure 5. No exceptions were noted.

4. Obtain the schedule of fees collected on MSHCP building permits for the year ended June 30, 2015.

Findings – We obtained the schedule from the City noting the total amounts collected for building permits for the year ended June 30, 2015 was \$30,387. These amounts were remitted to the RCA between September 3, 2014 and June 10, 2015.

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5. Obtain a listing of building permits issued during the year ended June 30, 2015. Identify the new construction and commercial permits. Select for testing 10% of the new construction or commercial building permits, selecting no less than 25 permits or 100% of permits if total permits for new construction or commercial is less than 25.

Findings – We obtained the population of 1,906 issued permits for the period from July 1, 2014 through June 30, 2015. From the listing, we identified new construction and commercial permits (identified as “SFR”, “ADD COMM”, “RETL”, and “ALTC”), noting a total of 380 permits issued during the year. We haphazardly selected 38 (10%) new construction and commercial permits.

Our sample consisted of the following:

- One building permit was subject to the MSHCP fee.
- Six building permits were exempt under Section 10.B of the City ordinance as rehabilitation, remodeling, or minor additions to an existing Development Project.
- One building permit was exempt under Section 10.C of the City ordinance as a secondary residential unit, constructed on developed residential property and meeting all State and City requirements for such units.
- 30 building permits were exempt under Section 4.C of the City’s Resolution No. 2004-11 under various development agreements executed and effective prior to the City’s adoption of the MSHCP fee ordinance in July 2004, as noted:
 - The City asserted 15 permits were exempt under the Pardee-Grossman/Cottonwood Canyon development agreement dated July 1990 (development agreement), the amended developer agreement dated January 2010, and Planning Commission Resolution (resolution) 2009-11 dated February 2009. The original development agreement expired July 9, 2010 and was amended in January 2010 to extend through July 1, 2030. The resolution found that the subdivision was exempt from the MSHCP fee. This matter is currently under review with the RCA, City and legal counsels.
 - The City asserted six permits were exempt under a Settlement Agreement and Memorandum of Understanding dated February 2004 between the County of Riverside, Pacific Clay Products, Inc., Castle & Cooke Lake Elsinore Outlet Centers, Inc., Castle & Cooke Corona, Inc., Gateway Business Park, LLC, and Murdock Alberhill Ranch Limited Partnership.
 - The City asserted nine permits were exempt under the Laing-CP Lake Elsinore LLC development agreement dated December 2002 (development agreement) and the amended and restated developer agreement dated August 2004. The amendment prohibits the imposition of any assessment or fee applicable to the development, except as provided in Section 13.1 of the agreement. The City asserted the MSHCP fee does not meet the requirements of Section 13.1. This matter is currently under review with the RCA, City and legal counsels.

We made inquiries of City personnel, inspected building permits and other documentation to support the granting of the exemptions under the City ordinance. No exceptions were noted, except for the matters under review by the RCA, City and legal counsels.

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6. Recalculate the fees collected by the Member Agency on building permits to determine if they are correct and if the correct amounts have been remitted to the RCA. If fees are incorrect, determine the fees that should have been collected and remitted.

Findings – For the sample selected in procedure 5 above, the building permit fees were recalculated and agreed to the amount collected and remitted without exception, except for the matters under review by the RCA, City and legal counsels.

7. Determine if fees collected on building permits were remitted on a timely basis to the RCA.

Findings – Per the JPA dated January 27, 2004, all development mitigation fees must be remitted to the RCA within 90 days of the earlier of the date they were collected or should have been collected. No exceptions were noted.

8. Determine additional amounts, if any, which should be returned to the Member Agency for building permits.

Findings – None noted.

9. If amounts are due to the RCA on building permits, calculate interest owed, based on the RCA's Resolution No. 07-04 adopted on September 10, 2007, using the interest rate paid by Riverside County Treasury on amounts held by the County.

Findings – Not applicable.

10. Obtain a list of all construction contracts awarded by the member Agency during the fiscal year.

Findings – The City provided a list of 27 construction contracts awarded by the City during the fiscal year ended June 30, 2015.

11. Select a sample of 10% of the contracts for testing, selecting no less than three contracts, or 100% of contracts if the total number of contracts is less than three.

Findings – We selected three construction contracts from the list provided.

12. Compute the amount of MSHCP contributions on the construction contracts that should have been remitted.

Findings – The City asserted that each of the three contracts selected was exempt. We examined the contracts, project descriptions, and other supporting documentation provided for the exemptions summarized as follows:

- 2014-2015 Slurry Seal Program CIP Projects – The City asserted that this project was exempt under Section 1.A.2 of RCA's fee collection and remittance policy as a maintenance and safety project. The project is for slurry sealing over existing roads, striping, and signage for 14 miles of streets Citywide. No exceptions were noted.

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- Public Works Construction Southbound Deceleration Lane Improvements I-15 @ Railroad Canyon Rd – The City asserted that this project was exempt under Section 1.A.5 of RCA's fee collection and remittance policy as a Caltrans facility. The project was for the addition of a deceleration lane for Interstate 15 southbound at the Railroad Canyon Road off-ramp. The work included installation of temporary K-rail, temporary restriping of I-15 southbound through lanes and off ramp, removal of existing Portland Cement Concrete (PCC) paved shoulder, earthwork, drainage improvements, construction of a new Jointed Plane Concrete Pavement (JPCP) deceleration lane, asphalt concrete paved shoulder, new freeway overhead sign, signing and striping, and related construction associated with the Project. Caltrans provided \$500,000 of funding and has oversight responsibility for the deceleration lane. Further the project is located on the State Highway System qualifying as a Caltrans facility. No exceptions were noted.
- Public Works Construction for Annual Crack Seal & Pothole Repair Program 2015 – The City asserted that this project was exempt under Section 1.A.2 of RCA's fee collection and remittance policy as a safety and maintenance project. The project was for the City's annual crack & pothole repair. The improvements included locations for asphalt repair in which existing streets are identified through staff inspections and resident requests of the streets Citywide. No exceptions were noted.

13. Determine if the MSHCP contributions on the construction contracts were remitted to the RCA within 90 days of contract award.

Findings – Not applicable.

14. Determine additional amounts on construction contracts, if any, which should be remitted to the RCA or returned to the Member Agency.

Findings – Not applicable.

15. If additional amounts are due to the RCA on construction contracts, calculate interest owed, using the interest rate paid by Riverside County Treasury on amounts held by the County.

Findings – Not applicable.