

SACRAMENTO LOCAL AGENCY FORMATION COMMISSION

*1112 I Street, Suite #100
Sacramento, California 95814
(916) 874-6458*

June 5, 2013

TO: Sacramento Local Agency Formation Commission
FROM: Peter Brundage, Executive Officer ^{PB}
RE: FY 2013-14 Contracts

RECOMMENDATION:

Authorize the Executive Officer to sign the attached contracts for FY 2013-14.

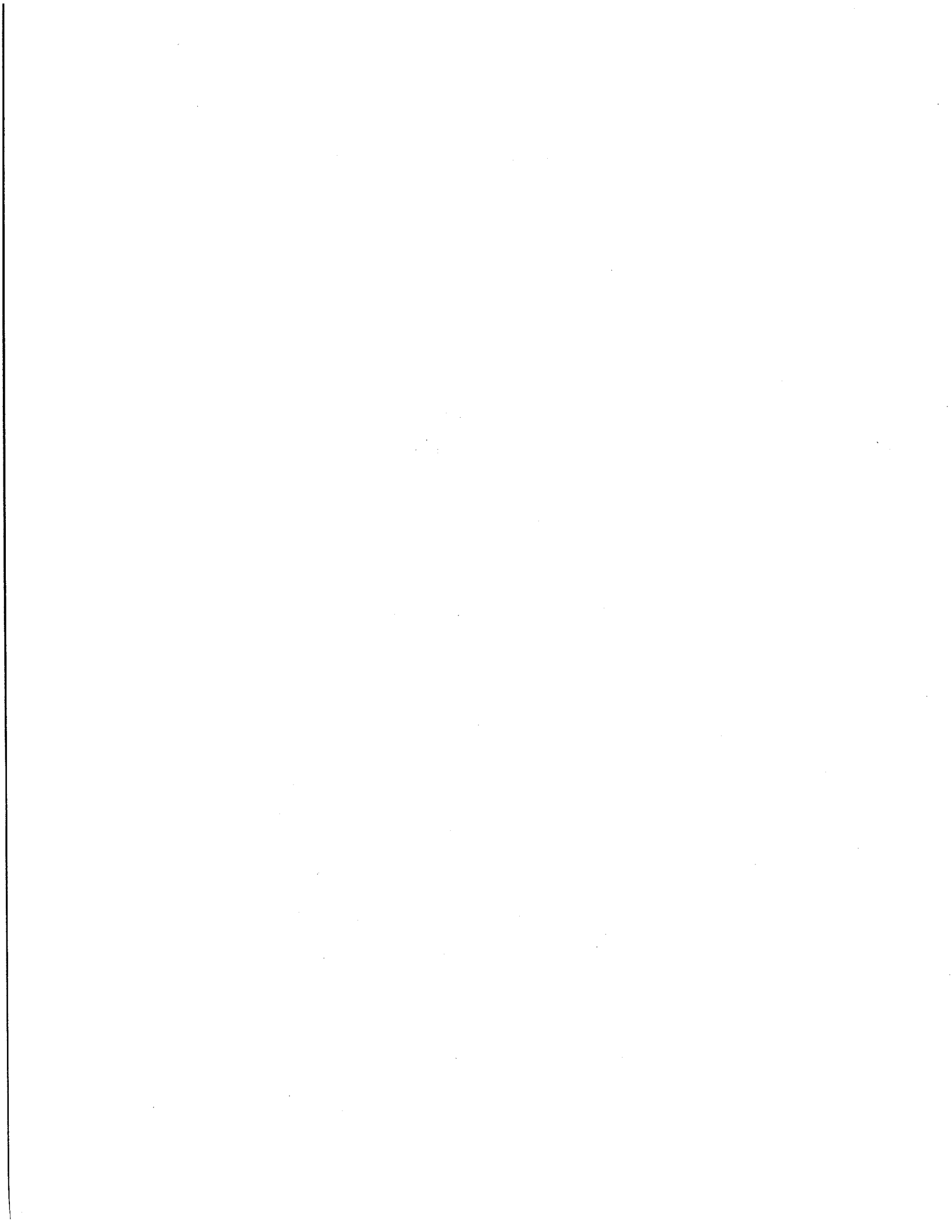
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|----|---------------------------------|-----------------------|
| A. | Miller & Owen | Commission Counsel |
| B. | Environmental Planning Partners | Environmental Support |
| C. | James Marta, CPA | FY 2012-13 Audit |

DISCUSSION:

The attached contract renewals cover the various on-going consulting services for FY 2012-13. These contracts include amounts for reimbursable project costs as well as funding for general support that is not reimbursable.

The following contract amounts have been included in the FY 2013-14 Final Budget:

	<u>Contract Amount</u>	<u>Revenue</u>	<u>Net Cost</u>
Legal	\$160,000	\$100,000	\$60,000
Environmental	50,000	30,000	20,000
James Marta, CPA	<u>8,300</u>		<u>8,300</u>
Total	\$218,300	\$130,000	\$88,300



**AGREEMENT BETWEEN
SACRAMENTO LOCAL AGENCY FORMATION COMMISSION
AND
MILLER & OWEN
A Professional Corporation**

This Agreement is made and entered into this 30th day of June 2013, by and between the **SACRAMENTO LOCAL AGENCY FORMATION COMMISSION** (hereinafter referred to as "LAFCo"), and **MILLER & OWEN, A Professional Corporation** (hereinafter referred to as "Contractor").

1. **CONTRACTORS OBLIGATION** Contractor shall provide legal services, representation, consultation, research, opinions, and advice. Contractor shall send LAFCo a detailed statement for fees and costs incurred every month.

2. **LAFCO'S RESPONSIBILITIES** For the purposes described in this Agreement, LAFCo shall pay Contractor for services rendered at the hourly rate outlined in Exhibit "A," attached hereto.

The total amount paid to Contractor under this Agreement shall not exceed \$60,000 for services that are not reimbursed by third parties and \$100,000 for services that are reimbursed by third parties for a total amount not to exceed \$160,000 unless the amount is amended in writing by the parties. The total amount does not include any amounts for litigation. In the event of litigation the contract amount may be amended.

3. **CONTRACTOR'S RESPONSIBILITIES** Contractor shall provide legal services to LAFCo, as requested, in order to assist LAFCo in relation to proceedings undertaken. Contractor's services may include, but are not necessarily be limited to:

Representing LAFCo as general counsel including, but not limited to, litigation if any. If litigation is initiated, the budgeted amount may increase upon written agreement of the parties.

Making recommendations to LAFCo on the development of LAFCo positions on various issues as requested by staff or the Commission.

4. **TERM** The term of this Agreement shall be effective from July 1, 2012, through June 30, 2013. It is the parties' intent that this Agreement may be annually renewed by LAFCo and Contractor.

5. **TERMINATION** This Agreement may be terminated as follows:

By mutual consent of both parties; or

By LAFCo upon written notice thereof to Contractor.

ASSIGNMENT Contractor shall not assign any interest in this Agreement and shall not transfer any interest in the same without prior written consent of LAFCo, except that claims for money due or to become due Contractor from LAFCo under this Agreement may be assigned by Contract to a bank, trust company, or other financial institution without such approval, written notice of any such transfer shall be furnished promptly to LAFCo. Any attempt at assignment of rights under this Contract except for those specifically consented to by both parties or as stated above shall be void.

MODIFICATION This Agreement may only be modified by a written amendment hereto, executed by both parties.

SEVERABILITY If any provision of this Agreement is held to be unenforceable, the remainder of this Agreement shall be severable and not affected thereby.

CONFIDENTIAL RELATIONSHIP All dealings of the parties hereto are confidential, and no report, data, information or communication developed, prepared or assembled by Contractor hereunder shall be revealed or made available to any person or entity other than LAFCo without LAFCo's permission except as provided by law.

INDEPENDENT CONTRACTOR No employer/employee relationship is intended by the parties hereto, the relationship of Contractor to the LAFCo being that of independent contractor. LAFCo will not be required to make payroll deductions or provide worker's compensation insurance or health benefits.

INSURANCE During the term of this Agreement, Contractor shall maintain professional liability insurance which is reasonably satisfactory to LAFCo in an amount not less than \$500,000 per occurrence and \$1,000,000 umbrella coverage. Contractor shall also maintain worker's compensation insurance in an amount not less than \$1,000,000.

SURVIVAL Contractor shall remain obligated under all clauses of this Agreement which expressly or by their nature extend beyond the term hereof.

NOTICES All notices that are required to be given by one party to the other under this Agreement shall be in writing and shall be deemed to have been given if delivered personally or enclosed in a properly addressed envelope and deposited with a United States Post Office for delivery by registered or certified mail and addressed to the parties at the following addresses, unless such addresses are changed by notice, in writing, to the other party:

LAFCo: Sacramento Local Agency Formation Commission
Attention: Peter Brundage
1112 I Street, Suite No. 100
Sacramento CA 95814-1280
916-874-5935

CONTRACTOR: MILLER & OWEN
Attention: Nancy C. Miller
A Professional Corporation
428 J Street, Suite 400
Sacramento CA 95814

ADDITIONAL PROVISIONS This Agreement shall be governed by the laws of the State of California. It constitutes the entire agreement between the parties regarding its subject matter. This Agreement supersedes all proposals, oral or written, and all negotiations, conversations or discussions heretofore and between the parties related to the subject matter of this Agreement.

Executed by Contractor and by LAFCo in Sacramento, California on the date and year first above written.

SACRAMENTO LOCAL AGENCY
FORMATION COMMISSION

MILLER & OWEN
A Professional Corporation

By: _____
Peter Brundage
Executive Officer

By: _____
Nancy C. Miller

Dated: _____

Dated: _____

Exhibit A

RATE SCHEDULE FY 2011-12

Nancy C. Miller	\$280.00
William L. Owen	\$280.00
Christiane E. Layton	\$260.00
Paul J. Chrisman	\$260.00
Madeline E. Miller	\$225.00
Jennifer V. Gore	\$215.00
Matt McOmber	\$200.00
Stuart Thompson	\$195.00
Other Associates	\$195-255
Paralegals	\$105.00

In addition, only the following costs will be billed as follows:

In-house photocopying will be billed at \$.05 a copy. Other photocopying, postage, long distance telephone charges, federal express, courier service, court and administrative fees, and all other "out of pocket" costs will be billed at actual costs. Travel to and from client is not billed.

Hourly rates may increase upon written amendment by the parties. The firm usually adjusts rates annually.

**AGREEMENT BETWEEN
SACRAMENTO LOCAL AGENCY FORMATION COMMISSION
AND
ENVIRONMENTAL PLANNING PARTNERS, INCORPORATED**

This Agreement is made and entered into this 1st day of July, 2013, by and between the SACRAMENTO LOCAL AGENCY FORMATION COMMISSION (hereinafter referred to as "LAFCo"), and ENVIRONMENTAL PLANNING PARTNERS, Inc.

1. **CONTRACTORS OBLIGATION** Contractor shall provide environmental planning services, environmental document preparation, consultation, research, opinions, and advice. Contractor shall send LAFCo a detailed statement for fees and costs incurred every month.
2. **LAFCO'S RESPONSIBILITIES** For the purposes described in this Agreement, LAFCo shall pay Contractor for services rendered at the hourly rate outlined in Exhibit "A," attached hereto.

The total amount paid to Contractor under this Agreement shall not exceed \$20,000 for services that are not reimbursed by third parties and \$30,000 for services that are reimbursed by third parties for a total amount not to exceed \$50,000 unless the amount is amended in writing by the parties. The total amount does not include an amount for litigation. In the event of litigation, the contract may be amended.

3. **CONTRACTOR'S RESPONSIBILITIES** Contractor shall provide environmental planning services to LAFCo, as requested, in order to assist LAFCo in complying with the California Environmental Quality Act in LAFCo's consideration of projects and applications brought before LAFCo. Contractor's services may include, but are not necessarily limited to:
 - Preparing environmental documents compliant with the California Environmental Quality Act for LAFCo projects. Such documents under this contract include Notices of Exemption, Initial Studies, and Negative Declarations. If an expanded Initial Study with special technical studies or an Environmental Impact Report is initiated, the budgeted amount may increase upon written agreement of the parties.
 - Reviewing and commenting upon environmental documents prepared by local lead agencies to support applications submitted to LAFCo in LAFCo's role as a responsible agency under terms of the California Environmental Quality Act.
4. **TERM** The term of this Agreement shall be from the effective date of July 1, 2012 through June 30, 2013.

5. **TERMINATION** This Agreement may be terminated as follows:

By mutual consent of both parties; or

By LAFCo upon written notice thereof to Contractor

ASSIGNMENT Contractor shall not assign any interest in this Agreement and shall not transfer any interest in the same without prior written consent of LAFCo, except that claims for money due or to become due Contractor from LAFCo under this Agreement may be assigned by Contract to a bank, trust company, or other financial institution without such approval, written notice of any such transfer shall be furnished promptly to LAFCo. Any attempt at assignment of rights under this Contract except for those specifically consented to by both parties or as stated above shall be void.

MODIFICATION This Agreement may only be modified by a written amendment hereto, executed by both parties.

SEVERABILITY If any provision of this Agreement is held to be unenforceable, the remainder of this Agreement shall be severable and not affected thereby.

CONFIDENTIAL RELATIONSHIP All dealings of the parties hereto are confidential, and no report, data, information or communication developed, prepared or assembled by Contractor hereunder shall be revealed or made available to any person or entity other than LAFCo without LAFCo's permission except as provided by law.

INDEPENDENT CONTRACTOR No employer/employee relationship is intended by the parties hereto, the relationship of Contractor to the LAFCo being that of independent contractor. LAFCo will not be required to make payroll deductions or provide worker's compensation insurance or health benefits.

INSURANCE During the term of this Agreement, Contractor shall maintain professional liability insurance that is reasonably satisfactory to LAFCo in an amount not less than \$1,000,000 per occurrence and \$1,000,000 aggregate. Contractor shall also maintain worker's compensation insurance as required by statute.

SURVIVAL Contractor shall remain obligated under all clauses of this Agreement that expressly or by their nature extend beyond the term hereof.

NOTICES All notices that are required to be given by one party to the other under this Agreement shall be in writing and shall be deemed to have been given if delivered personally or enclosed in a properly addressed envelope and deposited with a United States Post Office for delivery by registered or certified mail and addressed to the parties at the following addresses, unless such addresses are changed by notice, in writing, to the other party:

LAFCO: Sacramento Local Agency Formation Commission
Attention: Peter Brundage
1112 I Street, #100
Sacramento CA 95814-1280

CONTRACTOR: Environmental Planning Partners Inc.
Attention: Robert D. Klousner
PO Box 627
7281 Lone Pine Drive, Suite D-203
Sloughhouse, CA 95683

ADDITIONAL PROVISIONS This Agreement shall be governed by the laws of the State of California. It constitutes the entire agreement between the parties regarding its subject matter. This Agreement supersedes all proposals, oral or written, and all negotiations, conversations or discussions heretofore and between the parties related to the subject matter of this Agreement.

In addition, only the following costs will be billed as follows:

In-house photocopying will be billed at \$.05 a copy. Other photocopying, postage, long distance telephone charges, federal express, courier service, court and administrative fees, and all other "out of pocket" costs will be billed at actual costs.

Hourly rates shown in Exhibit A attached

Executed by Contractor and by LAFCo in Sacramento, California on the date and year first above written.

**SACRAMENTO LOCAL AGENCY
FORMATION COMMISSION**

ENVIRONMENTAL PLANNING PARTNERS
Incorporated

By: _____
Peter Brundage
Executive Officer

By: _____
Robert D. Klousner

Dated: _____

Dated: _____

Exhibit A

2012-2013 RATE SCHEDULE

Client: Sacramento Local Agency Formation Commission

Matter: Environmental Document Preparation and Consulting

Hourly rates for Planning Partners' personnel:

Principal	\$150.00
Principal Planner/Scientist	\$130.00
Prof. Planner/Scientist	\$120.00
Senior Planner	\$105.00
Assoc. Planner/Scientist	\$95.00
Assistant Planner	\$90.00
Planning Technician	\$85.00
Cartographer	\$75.00
Support	\$57.50



James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Tax, and Consulting

February 15, 2013

Peter Brundage
Executive Officer
Sacramento Local Agency Formation Commission
1112 I Street, Suite 100
Sacramento, CA 95814

We are pleased to confirm our understanding of the services we are to provide for Sacramento Local Agency Formation Commission for the year ending June 30, 2013.

I. SCOPE OF WORK

We have been engaged to perform an audit of Sacramento Local Agency Formation Commission's Governmental Fund Balance Sheet and Statement of Net Assets as of June 30, 2013 and the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance and Statement of Activities for the year then ending. The purpose of an audit is to express an opinion as to whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America, and is limited to the period covered by our audit.

You have requested that we audit the financial statements of the governmental activities of Sacramento Local Agency Formation Commission, as of June 30, 2013, and for the year then ended and the related notes to the financial statements, which collectively comprise Sacramento Local Agency Formation Commission's basic financial statements as listed in the table of contents. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of our expressing an opinion on each opinion unit.

The accounting principles generally accepted in the United States of America require that the included supplementary information, management's discussion and analysis and budgetary comparison information, be presented to supplement the 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 required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by accounting principles generally accepted in the United States of America. This RSI will be subjected to certain limited procedures but will not be audited:

- Management's Discussion and Analysis
- Budget (Non-GAAP) and Actual - General Fund

If supplementary information other than RSI will accompany Sacramento Local Agency Formation Commission's basic financial statements, the we will subject the supplementary information to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling the supplementary information to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. We intend to provide an opinion on the following supplementary information in relation to the financial statements as a whole:

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS) and, in accordance with Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements. 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.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS and in accordance with Government Auditing Standards.

In making our risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

II. MANAGEMENT'S RESPONSIBILITIES

At the outset, it is imperative that we state the scope of your responsibilities in connection with this engagement:

- a. The financial statements are the responsibility of Sacramento Local Agency Formation Commission's management.
- b. Encompassed in that responsibility are the establishment and maintenance of effective internal control over financial reporting, the establishment and maintenance of proper accounting records, and the selection of appropriate accounting principles.
- c. Management is responsible for the design and implementation of programs and controls to prevent or detect fraud, and for informing us about all known or suspected fraud affecting the organization involving (a) management, (b) individuals who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements.
- d. Management is also responsible for informing us of its knowledge of any allegations of fraud or suspected fraud affecting the organization received in communications from members, regulators, or others. In addition, management is responsible for identifying and ensuring that the entity complies with applicable laws and regulations.
- e. Management is responsible:
 - i. for the identification of the applicable reporting framework.
 - ii. for the preparation and fair presentation of financial statements in accordance with accounting principles generally accepted in the United States of America.
 - iii. for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- f. Management is responsible to provide us with:
 - i. access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
 - ii. additional information that we may request from management for the purpose of the audit; and
 - iii. unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.

As part of our audit process, we will request from *management* written confirmation concerning representations made to us in connection with the audit.

We will assist in the preparation of your financial statements, but the responsibility for the financial statements remains with you. You are responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the management 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.

As part of our engagement we may propose standard, adjusting, or correcting journal entries to your financial statements. You are responsible for reviewing the entries and understanding the nature of any proposed entries and the impact they have on your financial statements. Further, you are responsible for designating a qualified management-level individual to be responsible and accountable for overseeing these services.

III. OUR RESPONSIBILITY

Our responsibility is to express an opinion as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles, and is limited to the period covered by our audit. Facts and circumstances may require us to qualify that opinion, or to disclaim it, or to express an adverse opinion. Other facts and circumstances may require us to provide additional information on our report. We will keep you informed if and when we begin to reach conclusions that our report may need to be modified because of such facts and circumstances.

IV. CHARACTER AND LIMITATIONS OF AN AUDIT

Our audit will be conducted in accordance with generally accepted auditing standards. Those standards require that we initially assess the risk that errors, fraud, irregularities, and illegal acts may cause the financial statements to contain a material misstatement. This is necessary because we do not audit all the transactions and balances in the financial statements, only a selected portion of them, in some cases a very small portion. The costs for us to examine a large portion of them, or all of them of a certain category, or all of them in all categories, would be prohibitive. Consequently, there are risks.

In making this initial assessment, we are required to obtain an understanding of the entity and its environment, including its internal control, sufficient to assess the risks of material misstatement of financial statements and to design appropriate audit procedures. Those considerations mandate your complete cooperation and honesty about your knowledge and understanding of the possibility of the existence of errors, fraud, irregularities and illegal acts. By signing this letter, you agree that you will provide this cooperation and that you will be totally honest with us.

Based on that assessment, the standards require us to design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether caused by errors, fraud, irregularities and illegal acts. Accordingly, a material misstatement may remain undetected. While we are required to exercise due care and professional skepticism, since our opinion is based on the concept of reasonable assurance, we are not an insurer and our report does not constitute a guarantee. We will inform you of all matters of fraud that come to our attention. We will also inform you of illegal acts that come to our attention, unless they are clearly inconsequential. We will inform you of any need to extend our procedures because of them and our estimate of their additional cost.

The discovery, subsequent to the date of the auditor's report, that one or more errors, frauds, irregularities, or illegal acts causing the financial statements to contain one or more material misstatements, have occurred does not necessarily mean that our audit was not conducted in accordance with generally accepted auditing standards.

An audit includes obtaining an understanding of internal control sufficient to plan the audit, but is not designed to provide assurance on internal control or to identify significant deficiencies conditions. However, during the audit, if we become aware of such reportable conditions or ways that we believe management practices can be improved, we will communicate them to you in a separate letter.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include direct confirmation of certain assets, revenues and expenses by correspondence with selected individuals, legal counsel, creditors, and financial institutions.

Management is responsible for making all financial records and related information available for purposes of the audit.

In the event that the financial information provided is incomplete or inaccurate, then we will either complete the work at our standard rate, or delay the audit until this information is complete and accurate.

At the conclusion of our audit, we will require you to furnish us a management representation letter confirming, among others, your responsibility for your financial statements and for the design and implementation of program and controls to prevent and detect fraud. This letter is a required audit procedure prior to issuing our report. By signing this engagement letter and furnishing a management representation letter, you agree to indemnify us and hold us harmless for any liability and costs arising from knowing misrepresentations by management.

In accordance with auditing standards generally accepted in the United States of America, we will also issue a written report describing the scope of our testing over internal control over financial reporting, including the results of that testing. However, providing an opinion on internal control and compliance will not be an objective of the audit and, therefore, no such opinion will be expressed.

We have attached a copy of our latest external peer review report of our firm for your consideration and files.

V. OTHER STIPULATIONS

Fees

Our fee for the audit will not exceed \$8,300 for the fiscal year ending June 30, 2013. This fee includes the cost of a board presentation in Sacramento, California; additional cost will be added for time and travel expense to an alternate location.

We will bill you on a monthly basis for our services and invoices are payable upon presentation. Unpaid fee balances 30 days overdue will bear interest at 18 percent per annum. This fee is based upon the assumption that the closing journal entries will be made and accounting will be finalized and closed before the year end audit fieldwork. Additional time and billing charges will incur if accounting service is provided for closing accounting records. Attendance at special meetings will be billed at our hourly rates.

Whenever possible, we will attempt to use your organization's personnel to assist in the preparation of schedules and analyses of accounts. We understand that your employees will prepare all cash or other confirmations we request and will locate any invoices selected by us for testing. This effort could substantially reduce our time requirements, facilitate the timely conclusion of the audit, and help you hold down audit fees.

Our initial fee estimate assumes we will receive the aforementioned assistance from your personnel and unexpected circumstances will not be encountered. In the event that the GASB, FASB, AICPA, GAO, OMB, or the State of California issues additional standards or audit procedures that require additional work during the audit period, we will discuss these requirements with you before proceeding further. If to complete our work or in conjunction with our audit we are asked or are required to perform account reconciliation or other work not otherwise in the scope of an audit, our fee for addressing the additional requirements will be at our standard hourly rates for each person involved in the additional work.

In the event we are required to respond to discovery requests, subpoenas, and outside inquiries, we will first obtain your permission unless otherwise required to comply under the law. Our time and expense to comply with such requests will be charged at our standard hour rates in addition to the stated contract.

Reports

We will issue a report on the audit of the Sacramento Local Agency Formation Commission's Governmental Fund Balance Sheet and Statement of Net Assets as of June 30, 2013 and the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance and Statement of Activities for the year then ending. The purpose of an audit is to express an opinion as to whether your financial statements are fairly presented, in all material respects in conformity with United States generally accepted accounting principles, and is limited to the period covered by our audit. We will issue a written report upon the completion of our audit to the Sacramento Local Agency Formation Commission. Our report will be addressed to the Commissioners of Sacramento Local Agency Formation Commission. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement. In the event we must withdraw from the engagement, our fees will be limited to the fees incurred up to the point of withdrawal.

We will also issue a written report on internal control and compliance issues and a report to those charged with governance.

At the conclusion of our audit engagement, we will communicate to the Commissioners the following significant findings from the audit:

- Our view about the qualitative aspects of the entity's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

We will provide you with 15 copies of the report. If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

The intended users of the report are the board of directors of the Sacramento Local Agency Formation Commission. You agree to be responsible to distribute the reports to those charged with governance and to the appropriate officials of the responsible party.

Working Papers

The working papers for this engagement are the property of James Marta & Company LLP and constitute confidential information. However, we may be requested to make certain working papers available or provide copies of them to certain regulators pursuant to authority given to it by law or regulation or peer reviewers. If requested, access to such working papers will be provided under the supervision of James Marta & Company LLP. The regulator's may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies.

We agree to retain our work papers related to this audit for a period of at least seven (7) years from the date of our report.

Mediation Provision

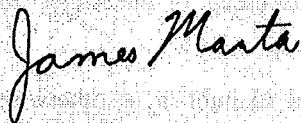
Disputes arising under this agreement (including scope, nature, and quality of services to be performed by us, our fees and other terms of the engagement) shall be submitted to mediation. A competent and impartial third party, acceptable to both parties shall be appointed to mediate, and each disputing party shall pay an equal percentage of the mediator's fees and expenses. No suit or arbitration proceedings shall be commenced under this agreement until at least 60 days after the mediator's first meeting with the involved parties. If the dispute requires litigation, the court shall be authorized to impose all costs against any non-prevailing party found not to have participated in the mediation process in good faith.

Several technical accounting and auditing words and phrases have been used herein. We presume you to understand their meaning or that you will notify us otherwise so that we can furnish appropriate explanations.

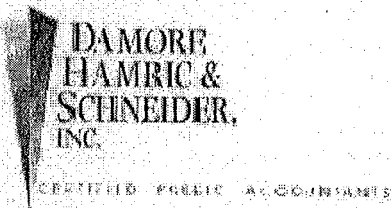
If the foregoing is in accordance with your understanding, please indicate your agreement by signing a copy of this letter and returning it to us.

We appreciate the opportunity to serve you and look forward to working with you and your staff.

Sincerely,



James Marta & Company LLP
Certified Public Accountants



SYSTEM REVIEW REPORT

November 28, 2011

To the Owner of James P. Marta & Company
and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of James P. Marta & Company (the firm) in effect for the year ended May 31, 2011. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under Government Auditing Standards; and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of James P. Marta & Company, in effect for the year ended May 31, 2011, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiency(ies), or fail. James P. Marta & Company has received a peer review rating of pass.

DAMORE, HAMRIC & SCHNEIDER, INC.
Certified Public Accountants

3858 Arden Way, Suite 200
Sacramento, CA 95825
Tel (916) 481-2836
Fax (916) 488-4428
<http://www.dhacpa.com>

RESPONSE:

This letter correctly sets forth our understanding.

Acknowledged and agreed on behalf of

Sacramento Local Agency Formation Commission

Approved by: Peter Bumbalaga

Title: Executive Officer

Date: Feb 19, 2013