



SAN MIGUEL COMMUNITY SERVICES DISTRICT  
BOARD OF DIRECTORS  
June 9, 2016 SPECIAL MEETING MINUTES  
MEETING HELD AT DISTRICT OFFICES  
1150 MISSION STREET  
SAN MIGUEL, CA 93451

- I. Meeting Called to Order by President Green—6:00 pm
- II. Pledge of Allegiance: lead by Director Kalvans
- III. Roll Call: Directors Present: Buckman, Dawes, Green, Kalvans and Reuck
- IV. Adoption of Special Meeting Agendas: Motion by Director Reuck to adopt Special Meeting Agendas as presented. Seconded by Director Kalvans. Motion was approved by vote of 4 AYES, 1 NOES (Director Dawes objected to including FY 17-18) AND 0 ABSTAINS.
- V. Public Comment and Communications: None
- VI. **BOARD WORKSHOP—FY 2016-17 AND FY 2017-18 BUDGETS**

President Green asked General Manager to begin presentation on proposed FY budgets. He reminded all that this was a workshop only and no action on the proposed budgets would be taken until this workshop, perhaps a 2<sup>nd</sup> workshop, is finished.

Director Kalvans excused himself because of a prior commitment and left room at 6:02 pm prior to start of budget presentation. He returned at 7:05 PM.

General Manager began presentation by briefing the Board Members on the purpose of workshop was to obtain Board Member comments and questions as well as public input about the proposed budgets. GM stated that this year's budget as proposed includes proposed increases to staffing and operations to address critical needs, especially in utility operations and personnel. The other critical need being addressed in the proposed FY 2016-17 O & M Budget was the critical need to improve and upgrade District's computer system/equipment. Manager cited the recent work done by new I T service provider and security safeguards needs for existing and future computer operations.

The staffing needs are being proposed in order to maintain operational permit requirements for WWTP and Water system operations. The continued use of the present crew size represents a significant deficiency to system operations.

Lastly, the ongoing litigation involving District interests for water rights case and personnel matters has caused a proposed increase for legal expenses that cannot be avoided. As a result,

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the budget reflects those projected increases across the board and may result in slow down of capital projects. In fact, there were no capital projects proposed for FY 2016-17 but there will be a carryover of the Fire Station Finish Improvements from the existing fiscal year budget.

General Manager spoke about maintaining and adding to the Vehicle Replacement, Capital Project and Capital Reserves Funds as well as contributing toward District Investment Fund account from net revenues resulting from FY 2015-16 year end monies available.

General Manager also spoke about the use of Fund 10 Administration Department as the location of specific district-wide expenses, such as annual LAFCO fees, District General Counsel, webpage maintenance, CSDA membership and others identified in Fund 10 proposed budget.

President Green asked that Board begin by reviewing each proposed revenue fund then Board could proceed with proposed expenses by each fund account. He indicated that he may have to leave meeting early.

Board began with discussion of Fund 10 Revenues which included transfers in by other departmental fund accounts that would be used to pay for district wide expenses.

The proposed revenues include split contributions based on formula, Fire-16.5%, Lighting-3.0%, Wastewater - 40%, Water – 40% and Solid Waste – 0.5%

There was some discussion about including shifting other district wide expenses which would then change the proposed revenues. Discussed shifting cell phone reimbursement, internet, phones, I T services, office supplies and copier/printer purchase in addition to District General Counsel, Board Stipend and Insurance. The general consensus of the discussion was to identify all those types of district wide expenses and how much revenue would need to be shifted or transferred into Fund 10 account. Board asked GM to include this approach into a revised version of budget numbers.

The Board also asked about the Myers restitution payment and indicated that GM should not count this money as ordinary income either until or if it is ever received. GM was asked to revise the projected Fund account revenues to not show any monies received in the revenues.

Fund 20- Fire Department revenues were discussed, especially the fire impact fees which are being shown in projected budget. GM was asked to revise the Department revenues without using fire impact fees included as ordinary income.

GM explained that while the impact fees may or may not be used or shown as ordinary income/revenue, per Board policy, the monies received would still be shown as income received and be identified as fiscal year revenues for reallocated by the Board twice a year. The Board would, twice a year, be asked to allocate these impact fees received for equipment/facilities expenses. Such funds cannot be used for salaries or benefits. The twice a year allotment would be structured and timed to match the property tax disbursements twice a year.

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GM was also asked about projected property taxes for Fire Department. GM explained that those projected figures are based on County Tax Collector's conservative estimates of property taxes anticipated. GM pointed out the County Tax Collector has been very conservative on its estimate for the past 3 years.

This year, the Tax Collector is projected a 5% growth in revenues. As GM, he is proposing a more conservative estimate of only 3% increase. If the County is correct in projection then District will realize more revenues by using this more conservative approach.

Director Dawes wanted to discuss the property taxes shown as projected and actual received for the current year, which are shown as exceeding the original projected revenue. He asked if the conservative approach was the correct to project this type of ordinary income/revenue for the Department. GM indicated that the property tax projections were the most reasonable figures for revenues since the other identified revenue sources, like strike team reimbursement, forestry reimbursement.

There were no public questions.

Fund 30—Lighting Department revenues were discussed, especially in terms of low expenses compared to revenues received.

There were no further questions.

Fund 40—Wastewater Department revenues were discussed with several comments about wastewater sale revenues. Director Buckman questioned when the District might have to raise rates. General Manager replied that wastewater sales only is not a "trigger" to knowing when rates should be adjusted because Prop 218 requirements specify more than that factor alone.

There was additional discussion about Wastewater hook-up or connection fee revenues, especially when to count and when to not count. GM explained that actual revenues shown on Statement of Revenues are identified as ordinary income. Twice a year, the Board can expect to allocate those revenues that are hook-up or connection fees to various fund accounts, such as Capital Reserves, Vehicle Replacement, Capital Projects or Investment. Funds are tracked by category within the Fund Account.

Director Dawes asked about how to eliminate those line items that either do not have a budget number or have any historical data. GM explained that the Black Mountain System does allow that function to happen and can be done before the final version of the FY 2016-17 Budget is presented for Board adoption.

There were no further questions.

Fund 50—Water Department revenues were noted as lower than projected FY expenses, which means that the fund will be a deficit account but overall total budget is balanced with a net income at projected year's end.

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Director Dawes asked how the current FY revenue figures were lower than originally projected, especially the water sales numbers. GM explained that voluntary drought conservation by many customers resulted in a reduction of sales over the course of the year plus some development projects have not come online as quickly as believe would happen. He further explained that recent water sales are showing a spike upward in sales including a 2% increase in recent month sales. It is anticipated that the warmer weeks and months ahead would see continuing increases.

Director Dawes asked about Will Serve Letters and whether or not the projected revenue was too high or too low. GM and Utility Supervisor Dodds responded that this number is low but the District has seen a lower trend in number of Will Serve Letter request so it is appropriate to keep this revenue projection low.

There were no further questions.

Fund 60—Solid Waste Department revenues were briefly discussed. Board recognized that all the revenues for this account were from franchise fees and expenses were relatively low.

There were no questions.

Board began its discussion of FY 2016-17 Expenses by Fund Account.

Fund 10—Administration Department expenses were noted as significantly higher than current year but was due to the shift in district wide expenses to this Fund Account. Board began its review of the projected expenses for this account.

GM was asked to explain the shifting of expense account items into Fund 10 and what was the rationale for proposing this shift. GM explained that there are a number of identified expenses that can be categorized as “a general fund account” expense that applies District wide, such as the annual assessment fee for LAFCO, the property/liability insurance coverage and others that are listed. The most important shift involves putting all District General Counsel expenses under this Fund Account for simplifying expense payments and makes it easier to reconcile. The current method of splitting into various department fund accounts is, at best, cumbersome. This consolidation shift can also simplify auditing procedures as well.

GM also reminded the Board that there are no Capital Projects listed or proposed for budgeting. Grant funding of Capital Projects will be the preferred means of handling such expenses this fiscal year but if some emergency or need arises than specific appropriation requests will be made for Board consideration and action.

There was additional discussion about what other categories could be identified as district-wide expenses, such as office supplies as suggested by Director Dawes. GM was asked to re-evaluate based on earlier discussions on revenues and add other items, perhaps even cell phone reimbursements, webpage, phones or staff training. There would need to be an revision to all fund accounts for transfers in and transfers out of each fund account. The General Counsel expenses seemed to make sense for shifting into Fund 10.

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Fund 20—Fire Department expenses were discussed next with a focus on making sure that categories like Worker’s Comp, various tax expenses and benefits are more accurately based on Black Mountain calculations. GM was asked to do more work in these line item expenses and bring back revised projections based on salary projections.

Director Dawes questioned why the Strike Team Pay is projected so much higher than this year’s number. GM explained that the historical data had been trending upward but the past projected numbers did not seem to reflect or show consideration of that trend. GM also reminded the Board that the percentage numbers shown to the far right of document is showing the percent higher or lower than current fiscal year’s budgeted number.

Director Dawes asked the Board to support itemizing the category of Operations and Maintenance for each fund so that the Committees and Board Members can understand what is happening and how it is being used. Board Members agreed and asked the GM to add further details to this category but to not just do that for Operations and Maintenance but also for other line items.

Director Dawes reminded Board Members and GM to have the final version of the budget exclude line items that are a zero or have no historical data for past years. He also asked about all the repairs and maintenance categories

There was discussion about the professional category for accounting, whether or not that is to be intended for services, the annual audit or some other item that would need to be identified or explained for FY 2016-17 Budget.

Director Dawes asked a question about the expenses for communication equipment. He recalled that this current year had a line item for purchase of communication equipment and was wondering if this expense was necessary or a duplicate. Assistant Fire Chief Dodds explained that no this expense was not a duplicate. The Department is intending to replacement 10 pagers and hand held radios this year but the amount should be slightly adjusted to \$15,050. He also questioned the expense for uniforms. AFC Dodds replied that these uniforms includes equipment needed by the new recruits that been recently trained at the Academy.

There was some discussion about weed abatement costs but no changes were made.

There were no other questions.

Fund 30—Lighting Department expenses were discussed briefly. The Operations and Maintenance line item was again noted for revision to add further details and explanation. Utility Supervisor Dodds explained that line item is intended to perform maintenance repairs on the scissor’s lift owned by the Department. Lift is used to repair street lamp fixtures and to hang special event banners as well as inside and outside of the building.

Director Dawes asked for the small tools and the operations & maintenance line items to list further details about what the expense is to be used for.

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Director Dawes asked about line item for capital outlay, especially with the expense item being projected at \$12,500 in total. Utility Supervisor Dodds indicated that we are projecting the replacement of several lamps to LED lamps as an energy conservation measure.

There were no further questions.

Fund 40—Wastewater Department expenses were next discussed. Director Dawes asked GM to revise the payroll expenses, benefit and retirement expenses based on Black Mountain calculations to projected salary expenses.

There was much discussion about testing and supplies categories including the 355 category and need to show the individual locations. Utility Supervisor Dodds explained that the 355 category, in the past, was used to show the expenses for only the WWTP while other testing & supplies categories were used for specific locations other than the WWTP. He found it to be a useful and practical means of tracking but understood why this current year was revised to show all expenses in one category. There was added discussion about the merits of splitting up the categories for testing into separate locations for expense tracking. GM replied that such splitting can be done. Final version of budget would need to be revised to show this change.

Director Dawes questioned the SCADA line item expense and asked if the projected expense is an ongoing annual expense. Utility Supervisor Dodds replied that this expense is the annual maintenance expense related to updates to SCADA system by the vendor.

The manhole and valve expenses were questioned. Board wanted to know if this is related to County's work on road that routinely covers up District valves and manholes. Utility Supervisor Dodds replied this expense does not include any River Road valve/manhole work which has already been finished.

Director Buckman asked for an explanation about licenses, permit and fees and why they are separate line items. Utility Supervisor explained the Regional Water Board fees, the Regional Water Quality Control Board that regulates wastewater discharges/permits and various fees for operator certifications annually.

There was some discussion about the WWTP maintenance costs which are routine repairs and maintenance that is ongoing throughout the year. The expense item could be lowered to \$10,000 or lower. There was also discussion about providing detailed information on repairs and video work line item costs so it is better understood by Board and public. GM replied that the final version can provide further detailed information for line item.

Director Dawes noted that there was a line item identified as property tax revenue that probably did not belong in the expense side of the budget. GM replied that item will be deleted and properly located in revenue, if needed.

Fund 50—Water Department expenses were discussed in light of the projected budget for this account were a deficit and is dependent, as the Board sees it presently, on use of water connection fees.

GM explained that there is good reason to use water connection/hook-up fees as a revenue source for this account. The projected deficit for this fund is an estimated \$50,000. There are 2 phases of construction underway with Jazzy Town project that will be, very shortly, paying for water and sewer connections. Based on their Phase 2 fee calculations, the use of an estimated \$50,000 would only represent an estimated 25% of their total fees to be paid. Board policy is the restriction that precludes this ability. Generally such fees are considered as ordinary income by most water agencies. In this case, Board policy is the reason such fees cannot be considered as ordinary income that could, in this case, balance the fund account.

GM also explained that another option is for the Board to allocate amount needed to balance the Water Department Fund and eliminate the deficit condition. He also explained that expenses have been reduced in all categories so further cuts on line item is not recommended.

Director Dawes stated that in light of this information that the GM should be directed to provide a detail discussion or statement of justification for increase in staffing for the Board consideration, even if the Board did elect to balance this Fund Account. He stated that the overall budget is balanced and has net incomes projected for FY 2016-17. He also did not think it was realistic to discuss the FY 2017-18 Budget projections at this time. The value of using it as a planning device is seen but a discussion is not as helpful until all the adjustments to FY 2016-17 are available to the Board.

There were no other questions.

The Board finished with a brief discussion about Fund 60—Solid Waste Department. Director Dawes asked why there had been so much funding placed into line item for promo materials and supplies in current year as compared to what is being projected for FY 2016-17. GM explained that last year, it was anticipated that more public information would be needed than actually materialized. The FY 2016-17 projections do not see any need for funding in this line item.

#### **VII. BOARD COMMENT:**

President Green asked GM to bring back a balanced budget using the Black Mountain System Reporting format only and to drop the spreadsheet method. Board Members agreed with this comment. He asked if there were any other Board comments at this time. There were none.

President Green announced that this meeting was continued until June 16, 2016 at 6PM for further discussion of the FY budget.