



**SAN MIGUEL COMMUNITY SERVICES DISTRICT
FINANCE & BUDGET COMMITTEE**

MEETING SUMMARY NOTES

For Wednesday, August 10, 2016 – 2:30 pm

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- I. Called to Order at 2:30pm by Chair Dawes**
 - II. Pledge of Allegiance lead by Director Buckman**
 - III. Roll Call –** Director Buckman – Present
Director Dawes – Present

Others in Attendance: Laverne Buckman

- IV. Public Comment – None**
- V. Review and Discuss Monthly Financial Reports for July 2016**

General Manager introduced the written report submitted for Committee discussion. July monthly figures for revenues and expenditures are consistent with the preliminary, unadopted budget projections. A Black Mountain Cash report has been given to Committee in line with prior discussions to replace the constructed Treasurer's Report on Cash and Investment. As GM noted, the Black Mountain Cash report does include investments as well as cash but the beginning balances are unreliable at this point due to unfinished audits for 2014-15.

Committee Members asked about the status of CDBG reimbursement for the expended fire hydrant replacement project. GM stated that reimbursement is still pending awaiting County processing for payment.

Chair Dawes began the review of Claims Detail Report asking for any questions on Page 1 of 6. Director Buckman asked about the 2 SLOCEA items on the ChurchwellWhite bill invoice. He wanted to know if there was double bill payment. GM replied that there was no double bill payment but would check on the details of the item and report the breakdown back to Committee.

Chair Dawes asked about how soon the payments to Jungle Disk computer backup items. GM replied that the upcoming server install and set-up will provide, according to I T, opportunity to stop these expenses.

Committee asked GM to follow-up on 2 Roach Electric expenses listed and provide details. GM noted that this is Follow-up Item #1.

Chair Dawes asked about the annual encroachment expense payment to SLO County on Page 2 Of 6. GM explained the reasons for this payment allowing the District to do trenching and repair work within County rights-of-way locations. Same question was also about the same expense listed on Page 3 Of 6.

There were no further questions on Pages 4-6 of Claims Report. Chair asked if there were any public questions. There were no comments or requests to speak.

Committee Members began its review of Statement of Revenues. Chair Dawes asked about water and wastewater revenues being different. He was concerned that projecting forward then the forecasted revenues could be short for water sales but on slightly higher for wastewater sales. GM replied that water sales has been trending higher for the past two months and is likely to continue without previously drought conservation measures being re-ordered by State. Wastewater sales tend to be more static and generally are lower overall than water, particularly as more people are working and out of the home during the day. He also stated that these recent trends in sales are being monitored each month so that any required adjustments to revenues can be identified early.

There were no further Committee member comments or questions. Chair Dawes asked if there were any public comments. There were no public comments or questions.

Committee began its review of Statement of Expenses Report. Chair Dawes asked that GM look at setting up a breakout of legal expenses, on Page 1 of 9, to separate contractual cap expenses as negotiated from other legal expenses. GM replied that creating a separate line item to do this reporting can be set up and will be Follow-up item #2.

Chair asked for public questions. There were none.

Chair Dawes asked if there were any questions on Page 2 of 9. There were none by Committee. Chair asked if there were public questions.

Laverne Buckman asked about the firefighter stipend pay as recorded since it seems higher than could be anticipated at the beginning of fiscal year. She also asked the Committee to review the payroll taxes paid since they seem higher than should be expected at this point in time. She asked the Committee to also get a breakdown of expenses for structure repairs shown.

Committee members asked GM to do follow-ups on these items. GM noted these requested items as Follow-up items #3, 4 & 5.

Director Dawes called for any public questions.

VI. AGENDA:

1. Review and Discuss Monthly Financial Report for July 2016

General Manager gave a brief review of written report in packet for the July Financial Report. GM introduced the report replacement for previously used Treasurer's Report by a Black Mountain System Report on Cash and Investments. GM noted that this first BMS report on cash and investments is more for information because the beginning balances shown are not verified by audit or year-end closing statement as reconciled or accurate. GM noted that these beginning balances are crucial to providing accuracy for this BMS report. Committee spoke about getting this data entered for future reporting. GM noted that the completion of 2014-15 audit report should allow staff to reconcile and provide a more accurate statement of beginning and ending balances for 2015-16 and for 2016-17 years.

Chair Dawes asked to proceed with Committee examination of the July monthly financials. Chair asked about the Capital Project Summary in the future provide completion dates of projects and add a note about awaiting CDBG reimbursement of funds expended in the fire hydrant replacement project.

Chair Dawes began a review of Claims Detail Report. He asked GM to note any items to be follow-up with Committee and respond in written within a reasonable time period. GM replied that notes would be taken and follow-up done so Committee has an understanding of responses to those items.

Committee noted the following items for follow-up during its discussion of Claims Report items:
#1— line item 475 on page 1 of 6 - provide details on Churchwell White expenses noted.
#2—line item 175 on page 2 of 6 – provide details about Roach Electric expenses shown.

Committee also asked about the annual encroachment permit costs by County, specifically what it is intended for. GM explained that these permit costs are for any District work done on our facilities that are located within a County rights-of-way area, such as a street or alley. This permit cost is shown for water and wastewater only because those systems are most commonly located in public rights-of-way.

There was a comment about looking forward to a day when there are no more payments to Jungle Disk for computer backup.

There were no further questions by Committee or public about the Claims Report.

Chair Dawes began a review of Statement of Revenues. Chair asked about the water and wastewater sales numbers for July. He wants to know if the month can be seen as an indicator of

future revenues for the year. If so, then we could be looking at less than forecasted for water sales and asked how we can address the condition.

GM responded that current trends in water sales show an uptick for the past 2 months as might be expected during hotter summer months but the trend seems to be pointing toward a return to water use rather than maintaining any conservation by consumers. Trend must be monitored though and contingency measures prepared.

Committee requested, as a result of its discussions, further follow-up on the following items:

Statement of Expense Report

#3—line item-327 on page 1 of 9 - provide an accounting set-up separating legal expenses for tracking contractual cap expenses from other legal expenses. GM replied that a line item number can be assigned to make this breakout of legal expenses known.

#4—line item – 125 on page 2 of 9 – provide details about firefighter stipend payments for July.

#5—line items 130-165 on page 2 of 9 – why payroll withholdings are high and greater for July.

#6—line item 352 on page 2 of 9 – why is the structure repair & maintenance expense greater in July than forecasted for the year.

#7—line item 105 on page 4 of 9 – why is there an expense item shown for this salary category.

#8—line items 205, 210 & 215 on page 5 of 9 – are these expenses being paid monthly or quarterly for insurance coverage.

#9—line item 459 on page 8 of 9 – SCADA expenses shown are annual or monthly costs, clarify and verify.

Chair asked for public comment and questions.

Laverne Buckman asked the Committee about the payroll withholdings on page 2 of 9 and agreed that these need to be looked further by the Committee. She also agreed with Committee's items for follow-up explanation and details. She stated the importance of being assured about the need for accuracy and data in the Black Mountain reports.

There were no further questions by the Committee or public.

Committee recommended monthly financial reports be forwarded to Board for action. Chair asked GM for immediate follow-up understanding of reportable items be done before end of business week. GM noted and agreed to provide his understanding by Friday.

2. Discuss and recommend approval to Board award a bid for janitorial services.

General Manager gave a brief summary of written report submitted with Committee packet. GM noted that there were 4 bids received from latest request for quotes. The staff is recommending that bid be awarded to Brendler Janitorial on basis of monthly cost of \$275 with once a week cleaning services.

Committee Members asked GM to confirm in writing the Brendler quote as being once a week, if this bid and recommendation is approved. Committee also noted that the quoted costs are

within the authority of GM to approve without Board review. Committee recognized the need and request for Committee review.

Chair asked if there were any public comments or questions. There were no public comments or questions.

Chair Dawes made a motion to approve Brendler Janitorial as the lowest, qualified bidder for these services and determined that this item did not require Board review per District Purchasing Policies thus GM is authorized to execute an agreement. Seconded by Director Buckman. Motion carried by unanimous voice vote.

3. Discuss and recommend approval to Board to authorize an appropriation from Water Capital Reserves for purchase and installation of a chlorine analyzer unit at a not-to-exceed cost of \$4,000.

General Manager introduced this item and noted that a written report to Committee was submitted detailing the need at the SLT well site. GM asked the Utility Supervisor to provide further details about the project.

Utility Supervisor Dodds gave added details about the proposed project. The SLT well, currently, does not have a chlorine analyzer to measure the amount of free chlorine in the water being feed into the system from the well. When the well was redeveloped in 2006-07, an analyzer unit was not installed.

In order to ensure the District maintains drinking water operating permit compliance and to allow the well to run a more autonomous schedule, an analyzer is needed. This analyzer will provide an ability to do a well shutoff in the case of low or no chlorine. Currently the SLT well can only run during the day when staff is available to monitor it.

There are numerous other brands and models of chlorine analyzers. Staff is proposing to install the Hach CL17 due to the District's long history with this model. District has used various versions of the CL17 since before agency was formed.

District currently has the same model, as is being proposed, installed at both of the other wells. This model has proved itself year after year as a reliable low maintenance device, only requiring normal reagent change and quarterly to semi-annual tubing replacement. Both the other well sites were upgraded to this version of the CL17 in 2007.

As with most chlorine analyzers this model uses the DPD method to determine the free chlorine in a water sample. This requires the reagent to be changed monthly; the reagent we use is specific to the Hach brand. A different brand would require their specific reagent and would be on a similar replacement schedule.

The estimated cost of the analyzer is \$3,403 with the additional paying for to run conduit, wiring, water lines, waste lines and integrating the analyzer into the SCADA system. The integration

would be by a Tesco field service tech, and all other work would be by district staff. Goal is to standardize equipment and routine operations as much as possible and simplify maintenance operations.

4. Review and Discuss Proposed Allocations for Vehicle Replacement, Capital Projects, Capital Reserves and Investment Funds.

Chair Dawes asked consent to table this item until after the Board adopts the FY Budget. Consent was given by unanimous voice vote.

5. Consider and approve replacement of the water line on K Street between 12th and 13th and relocate 1 fire hydrant on L Street between 13th and 14th, at a cost of \$39,000 from Water Capital Reserve

General Manager gave introduction of this item for discussion and spoke about the prior Board meetings about the upcoming plans by the County to abandon K Street and redevelop the San Miguel Park. In these discussions and subsequent budget meetings, the Board was advised that there may be some utility relocation costs that would be needed. GM asked the Utility Supervisor to provide further details about the proposed project.

Utility Supervisor advised that there are essentially two main aspects of the proposed San Miguel Park redevelopment. The first part is widening and improvement of L Street between 13th and 14th streets. In this first part of this project the District is required to relocate 1 fire hydrant and adjust 2 water meters on L Street between 13th and 14th Streets. This work will be done by District Utility Department at an estimated cost of \$4,000 (materials and equipment). The work for this phase would be completed in two weeks. This period for our work is more than adequate since the proposed work should take two to three days for completion.

District staff has worked with County Public Works and their engineers to reduce the overall impact of the proposed retaining wall and sidewalk on district facilities. Originally the District would have been responsible for lowering a section of water main, relocating two fire hydrants, and two water meters. Through this cooperative effort, the District staff have been able to reduce what started out at approximately \$13,000-15,000 to \$4,000.

The second part of this planned project involves abandonment of K Street between 12th and 13th with closure of the street for parkland area uses. This part can only start, once the L Street improvements are completed. In this part, the District is proposing to replace and upgrade the water line between 12th and 13th on K Street.

This line is part of the overall replacement plan for lines for this area. Replacing the line will increase overall water flow and availability in the area. The District has already has issues with this line in the adjacent blocks, so this block would have been scheduled for replacement in the coming years. Performing this work now allows District to reduce overall cost by not having to repair and replace street improvements later after County has made its improvements.

Also staff has proposed replacing approximately 500 linear feet of water main with new 8" PVC main. This new main would be installed in the new alignment that was laid out when the District installed the new main from 13th street to 16th street as part of the water tank project. Once the new main is installed and tested, the old main would be abandoned in place.

The proposed work would start approximately 2-3 weeks prior to the county beginning work on the park and would allow us to avoid repaving cost as much as possible. This replacement work is proposed to be done by District staff at an estimated cost of \$35,000 (materials, equipment and labor), approximately \$70 per lineal foot. The County is tentatively scheduled to start construction on the L Street improvements November 1st 2016 and start work on the Park redevelopment in early February 2017.

Chair asked for public comment and questions. There was no public comment or request to speak.

Chair asked to consider an adjustment to the requested funding level on the basis that labor costs are already provided as a part of salary and wage expenses in budget. The material costs only should be appropriated for this project. He suggests \$19,000 for material costs per written report statement. Chair Dawes made a motion to recommend approval for this project with the modification in cost not-to-exceed \$19,000 and look at the feasibility of using the additional \$20,000 for a capital purchase of an excavator for utility operations. Seconded by Director Buckman. Motion was approved by unanimous voice vote.

6. Consider and Discuss a presentation on potential organic recycling facility related to WWTP operations and a potential public-private partnership opportunities

This agenda item was reviewed by E & F Committee at its July 2016 meeting. The following information was presented to Committee as a potential operational improvement and revenue stream for solid waste and wastewater treatment operations. At that meeting, E & F Committee heard a presentation by GM with additional remarks made by Aron Kardashian, San Miguel Garbage who has specific knowledge and expertise on this subject.

Since that meeting in July, GM has met with Bill Worrell, SLO Integrated Waste Management Authority CEO and with Eric Vaughn, Senior Operations Manager for Courtside Cellars (Gallo) to discuss food waste and organic recycling efforts, locally and within the region. Mr. Vaughn spoke about his interest since there are potential operating benefits to Courtside and other PR benefits that may result from a public-private partnership. Other information has been gathered from Zero Waste Energy and provided to Committee.

In January of this year, the E & F Committee established a number of 2016-17 Work Program items. This agenda item was listed on the Committee 2016-17 Work Program as a part of

expanding WWTP operations and/or programs. Separately, District Staff is working to obtain a State grant for WWTP operation expansion. This potential organic recycling operations/facility is a new enterprise that could fit into this WWTP expansion and also create new solid waste opportunities that can benefit District ratepayers and District operations.

The specific discussion items that would need further exploration were reviewed by Committee as detailed in written staff report. Also the potential return on investments projections, not site specific to San Miguel, were also presented and reviewed.

District Staff had began researching organic waste operations as a result of passage of state legislation, AB 1826 which has mandated a Statewide Organics Waste Recycling requirements.

Potential Sources for Organics and Food Waste Recycling Volumes:

Aron Kardashian, San Miguel Garbage, indicates that locally 2 winery operations, Courtside Cellars and J. Lohr presently operate water treatment/drying beds with haul-out of dry materials to other remote facilities. Courtside processes approximately 70 tons of residual organic materials annually which are hauled out by San Miguel Garbage for remote disposal. J. Lohr processes 266 tons of residual organic materials annually.

Aron Kardashian estimates that locally there is approximately 5,000 tons annually of food waste volume that may be available to a recycling operation.

GM also provided a short video about food recycling facilities available that could provide the District with a potential operation that is feasible. At the end of video, GM stated again that this presentation was given as an informational discussion item only.

Committee comments were, generally, favorable about the concept but more detailed specifics for a SMCS D site might be more appropriate for further discussions and evaluation. Committee noted that there are lots of items and projects needing attention and appreciated the GM's identification of possible revenues means or opportunities for the District. It might be better to go slow on this item.

Chair Dawes asked if there were any public comments or questions. There were none.

VII. COMMITTEE COMMENTS

There were no additional comments by Committee Members.

Chair Dawes adjourned the Committee at 5:35 pm.

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