



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

MEETING SUMMARY NOTES

For Wednesday, July 6, 2016 – 2:30 pm

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- I. Called to Order at 2:31pm by Chair Dawes**
 - II. Pledge of Allegiance lead by Director Buckman**
 - III. Roll Call –** Director Buckman – Present
Director Dawes – Present

Others in Attendance: Bob Crosby, District Financial Auditor, Utility Supervisor Dodds and Laverne Buckman

- IV. Public Comment – None**
- V. Special Status Report & Discussion on Financial Audit Progress by District Auditor—Bob Crosby, Crosby Company**

General Manager introduced the purpose for this special status report and discussion with Auditor about the FY 2014-15 District Financial Audit which remains pending at this point. Mr. Crosby was invited to provide his status report directly to Committee Members. General Manager also indicated that the July 29th Board Meeting is scheduled to present this audit report for acceptance and approval by the Board. Mr. Crosby has been advised of deadlines for getting the Final Audit report to Board on this date.

Mr. Crosby gave a brief verbal status report outlining the items that he is still finalizing which includes review of fixed asset information just received from former District Auditor, Bloomberg, Griffin. He also spoke about 4 pages of manual journal voucher adjustments that he is reviewing so he can finalize the FY 2014-15 Audit report. He stated that the last Management Letter he has done was in 2011. He assured the Committee Members that all the numbers provided by District staff are “good” numbers and spoke about all the personnel changes that have been a factor for the District accounting function over the past 2-3 years. He spoke about needing details of miscellaneous accounts that have been provided by District staff. It is also necessary to understand what reverse journal entries and how to handle them for purposes of

simplifying auditing process. He stated his belief that the District has very solid and good people in place who know what they are doing.

Mr. Crosby asked if there were any questions by the Committee. Director Buckman asked if he was going to be ready with Audit for the July 29th meeting. Mr. Crosby replied yes, he would have the report to District by July 22nd for Board review.

Director Dawes asked Mr. Crosby to clarify his understanding about his understanding of problems that have or are contributing to delay in finalizing audit, and to describe what was not being produced for his use, a District problem or someone else.

Mr. Crosby stated that former auditor could not readily provide data regarding fixed assets, depreciation schedule used for their audit work performed. There were delays by that former auditor that complicated and delayed his work. He spoke about his work being done to review supporting documentation for various accounts.

Director Dawes called for any public questions.

Laverne Buckman asked about availability of other documents needed. Mr. Crosby stated he has been able to get documents and other requested information directly from District. Ms. Buckman also asked if miscellaneous accounts were properly labeled or was there anything unusual in accounts. Mr. Crosby answered no nothing unusual but his pre-analytical review showed 3 accounts, in particular, that needed have supportive documentation. Those were the old improvement district bonds payment schedule, the fixed assets and depreciation. He had also questioned a figure of \$3,000 in expenses that is needs to be supported by documentation. He believes there may be an adjustment error that can easily be fixed once located. He re-emphasized that there is nothing unusual going on.

Director Dawes asked if this was the first time that Mr. Crosby had worked with the Black Mountain System for accounting and was he aware of other agencies using Black Mountain. Mr. Crosby stated that yes, it was his first time auditing a Black Mountain accounting system documentation. He was not aware of any other agency using Black Mountain System for utility billing or accounting in this area. He believed he remembered Nipomo CSD, years ago, taking a look but not going forward with acquisition.

Director Dawes asked Mr. Crosby if he wants to continue as District Auditor. Mr. Crosby answered yes. He is doing a lot of work but wants to continue. He is aware of District staff's desire to achieve a certificate of excellence in financial reporting from CSDA.

There were no further questions. Committee thanked Mr. Crosby for appearing to answer questions and provide a status report. Committee also asked him about scheduling and availability to complete the FY 2015-16 Audit much earlier than current effort. Mr. Crosby indicated that he is prepared to begin work in August on FY 2015-16 Audit.

VI. AGENDA:

1. Review and Discuss Monthly Financial Report for May and June 2016

General Manager gave a brief review of written report in packet for the May-June Financial Report. He summarized where the preliminary year-end of accounts highlighting total revenues and expenses.

Chair Dawes asked to proceed with Committee examination of the Treasurer's Report. He asked if the Water Project account would be shifted as a result of changes in FY 2016-17 O & M Budget with these monies being used for meter replacements as originally intended by the grant funds received some years ago. GM replied that yes, this account will be closed out as funds are expended for meter replacement and account becomes zeroed out.

Chair Dawes asked if there were any other questions. There were none.

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.

Chair asked about mileage reimbursement for Director Kalvans and asked to verify dates attending were not duplicates. GM noted for follow-up.

Laverne Buckman asked Committee about the Union Bank account. GM explained background for setting up this account for Capital Projects, however, there has been a significant amount of bank staff confusion about the type of account needed and their internal policies that he has ended the account application and will request Board action for setting up this account with another bank. The Claims Detail report will show a reversal to fund account contributing to account in next reporting period.

There were questions about Fund 20 Fire Department expenses listed as landscape maintenance. GM replied that those expenses were for contractual services done for annual weed abatement under the fire safety program. Committee asked for verification and follow-up.

Chair Dawes questioned the expenses for Fund 40 Wastewater for air conditioning repairs. Utility Supervisor replied that those expenses were split between Fund 40 and 50 for servicing the utility vehicle air conditioning unit.

Director Buckman asked about a centrifuge pump rental expense listed for Fund 40. Utility Supervisor explained that this pump rental was needed for the time when the WWTP pumps were down for repairs.

Director Dawes asked about expense for iPad case shown in Fund 50 and also asked about the Frontier Communication expenses for SCADA. GM indicated that the iPad case was charged to Fund 50 but would follow-up in response to Committee. Utility Supervisor replied to question

about Frontier who provides wireless service for water well communications that tie into the SCADA system.

There were no further questions by Committee or public.

Chair Dawes began a review of Statement of Revenues by asking GM to getting the report adjustments to the YTD column done because there is still missing information. GM noted for a follow-up response.

Laverne Buckman asked the Committee about fire impact fees being less than projected in budget. GM replied to Committee that fees received are 82% of budget projections but 2 development projects have not progressed as quickly as determined possible which has resulted in the target projection being missed. GM also stated that fire impact fees, like water and wastewater connections fees, are to be used for fire equipment or facility purchases and not counted for general O & M expenses or uses.

Chair Dawes questioned Fund 50 water meter fees YTD figure and asked GM to note for follow-up and clarification. GM noted the item for follow-up.

Chair Dawes asked about the seemingly duplicated line items that describe waste contract and franchise fees. He asked why are there two account line items and aren't they the same thing. GM explained that District receives franchise fees that are required by the franchise contract. The duplication is confusion and is noted for follow-up.

There were no further questions by the Committee or public.

Chair Dawes began a review of the Statement of Expenditures Report.

Laverne Buckman questioned the Committee about expenses for training being over budget and what was it for. GM explained that expenses were for the Special Board training session by BHI Consulting on April 30th. A journal entry or a manual year-end adjustment may be needed to resolve. She also asked Committee about the overage on Workers Comp expenses. GM replied that this item was under budgeted for the fiscal year but there were added expenses due to premium calculations. She asked for clarification about bank service charges listed in Fund 20 and expenses for licenses, permits and fees listed in Fund 40. GM replied to Committee that the Fund 20 bank service charges appear to be a figure that reflects a beginning balance, not an actual YTD number. GM noted for follow-up to the Committee.

The Fund 40 licenses, permits should show adjustment to correct budget figures for Waste Discharge fees/permits and other licenses, permits and fees that is being questioned. GM noted for follow-up to the Committee.

Chair Dawes noted that accounts that did not have a budget amount should be eliminated, if possible, from report or shows a dollar amount just to reduce confusion.

Director Buckman asked for an explanation of over budget expense for repairs and maintenance of equipment. Utility Supervisor Dodds explained that recent motor and pump repairs have resulted in the over budget expenses shown. These were unanticipated expenses.

Chair Dawes asked GM to follow-up on dues and subscriptions expenses and to provide information about how these costs were incurred. He also asked for follow-up Item 459 SCADA expenses, especially why there is no appropriated amount listed.

There were Committee questions about water main valve replacements and meter replacement that Utility Supervisor answered by explaining the number of meters replaced throughout the district this year. He also explained that the chemical expenses in question were previously listed by well location but there was a shift to aggregate those into a single line item. He believes that a correction to journal entry can show budget vs. actual expenses for chemicals.

Director Buckman questioned expenses for manholes and valve raising and whether or not this was work done for County's River Road project. Utility Supervisor replied no but was uncertain about the YTD figure. GM noted item for follow-up to the Committee.

There were no further questions by Committee or public.

Committee recommended monthly financial reports be forwarded to Board for action.

2. Discuss and recommend approval to Board authorize use of janitorial services to Brendler Janitorial Service.

General Manager gave a brief overview of written report provided to Committee. The request is seeking janitorial services not to exceed \$3,600 yearly for twice a month cleaning services at District Administrative and Fire Station building. GM described the need for such services and effort to obtain several quotes but having received only the quote by Brendler Janitorial provided in Committee packet. The quote provided is within the Purchasing Policy limits authorized for GM approval. GM brought the item to Committee since there has been no past or may never janitorial services provided.

Committee Members reviewed the specific areas to be cleaned should be listed in any agreement. Committee asked why there were no other quotes received. GM explained that several vendors called but only one came to District for an inspection and based their submitted quote on that inspection. GM indicated that the Committee may asked for additional quotes by other vendors and to bring item back for consideration.

Committee directed GM to seek out added quotes from other services and bring the item back to Committee for consideration.

There were no other comments or questions.

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3. Review and Discuss a Change Order request for Tesco Controls, Inc. for Change Order #1 to install backup floats at the wastewater treatment plant wet well at a cost of \$2,800.00 to SCADA system.

General Manager gave a brief summary of written report in Committee packet and asked Utility Supervisor Dodds to elaborate on the reason for the Change Order. Utility Supervisor explained the need as related to an event involving the complete failure of either the SCADA controls or the transducer unit. These backup floats function to as backup in this type of event to assure that there are inadvertent contaminations, spills or violation of State permit standards. The backup float system that has been in place since plant upgrades in 2001 did not actually work, which was done by TESCO too.

He also explained that TESCO did not properly configure the 2001 installation of backup floats so they would be integrated into the WWTP system. These 2001 backup floats were not identified in the SCADA RFP originally distributed for bidding because staff was unaware of the issue and original installation work done. The backup float is a required redundancy for permit compliance.

The fiscal impact of the requested Change Order is \$2,869. An appropriation must be approved by the Board from Wastewater Capital Reserves since the budgeted amount for SCADA purchase did not include this added cost.

Committee Members had no questions of staff. There were no public comments or requests to speak.

Committee unanimously recommended that the Board approve this requested Change Order.

4. Review and Discuss a proposal for property appraisal services.

General Manager gave a brief summary of written report in Committee's packet and explained concerns that only 1 firm had responded. The responding firm, Schenberger, Taylor, McCormick & Jecker (STMJ) is a reputable firm with public agency appraisal requirements having performed these services since 1972 in San Luis Obispo area.

The STMJ quote for requested appraisal services has a range of \$11,500 to \$14,500 depending on how many parcels are finalized for appraisal by the District. These services would include, as quoted, parcels north and south of Fire Station with a limit on northern area to be no further north than 12th Street which would be an estimated 4 lots north of District property line.

The Committee Members make several comments about the cost of these services, why is a public agency appraisal needed and how to solicit more quotes. GM explained that staff can re-double effort to get more quotes to consider prior to making a recommendation to the Board. The value of a public agency appraisal is if eminent domain proceeding is needed or required then an appraisal, like other types, can help determine the property value(s) especially if a court proceeding is ultimately involved with the matter.

Committee requested that staff seek out more quotes for these services and bring the item back to Committee. GM noted the request.

VII. COMMITTEE COMMENTS

There were no additional comments by Committee Members.

VIII. ADJOURNMENT

Time: 4:17 PM

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