



## **FINANCE COMMITTEE**

### **REGULAR MEETING**

Thursday, September 13, 2018 - 10:00 AM to 12:00 PM  
1000 Main Street Cambria, CA 93428

### **MINUTES**

#### **A. CALL TO ORDER**

Chairman Pierson called the meeting to order at 10:00 a.m.

#### **B. ESTABLISH QUORUM**

A quorum was established.

Committee members present: David Pierson, Ted Siegler, Dewayne Lee and Cindy Steidel.

Committee members absent: Amanda Rice.

Staff present: Administrative Services Officer/District Clerk Monique Madrid, Interim Finance Manager Alleyne LaBossiere, District Engineer Bob Gresens, Wastewater Systems Supervisor John Allchin and Deputy District Clerk Haley Dodson.

Public present:

Paul Nugent

Crosby Swartz

Laura Swartz

Harry Farmer

Donn Howell

Cheryl McDowell

#### **C. CHAIRMAN'S REPORT**

Chairman Pierson stated that Mr. Gresens and Mr. Allchin requested that Regular Business item 3.F. be moved to the beginning of the agenda for consideration by the committee. The committee agreed.

#### **1. PUBLIC COMMENT**

Public Comment:

None.

## **2. CONSENT AGENDA**

### **A. Consideration to Approve the August 9, 2018 Regular Meeting Minutes**

Committee member Siegler moved to approve the meeting minutes as written and stated that Haley did a fabulous job putting together minutes of a very difficult meeting.

Committee member Steidel seconded the motion.

The motion was approved unanimously: 5-Ayes, 0-Nays, 0-Absent

## **3. REGULAR BUSINESS**

### **A. Discussion Regarding Progress Made on Budget, Allocated Overhead and Reserve Fund Policies**

Chairman Pierson introduced the budget policy. The budget policy is in the agenda packet and brought forth by the subcommittee.

Vice Chair Siegler stated he met with Committee member Rice and came up with a bunch of headings to include in the budget policy and that's the document attached in the agenda packet. We've flushed it out and we are hoping for committee feedback, have we captured the headings that this group feels would be necessary for a budget policy? Are there additions, deletions, changes, etc. that anyone would recommend?

Chairman Pierson stated you did a marvelous job. I didn't see big gaps.

Chairman Pierson asked Committee member Lee if anything jumped out for you? He answered no.

Committee member Steidel stated it covered all the categories.

Chairman Pierson stated there is revenue property tax allocation but there's other revenue sources in the general fund.

Vice Chair Siegler stated the other sources of revenues are directly assigned. The rates go strictly to the enterprises.

Mr. LaBossiere gave a description of the general fund revenue. It doesn't seem cost effective to allocated 85k or smaller amount for franchise fees.

The committee had a discussion on retirement rates and tiers.

Chairman Pierson suggested changing the reference of "staff" to "general manager" throughout the document. I like that interim reports are being reported on a quarterly basis. Under calendaring, our rate increases, if approved would be happening July 1st. The board must approve the new increases every year, we need to back that approval to April at the latest. The CIP recommendations are also needed. What projects are the Infrastructure Committee going to have done in the next budget?

Vice Chair Siegler stated the calendar is a target on when we need to have a work product, as opposed to micromanaging how the work product gets put together. If you think we need to address when the CIP recommendations come together, we can do it, but it probably is more for the Infrastructure Committee to decide.

Chairman Pierson responded I was just bringing it up as a reminder. It needs to happen before May.

Ms. Madrid stated the finance manager will take control of the rate increases and the district engineer would work on the CIP with the general manager.

Chairman Pierson stated the CIP should be advanced to an assisted implementation of the budget each year. He would like to see the organizational chart and head count sentence of asking justification for employee additions.

Ms. Madrid suggested using "vacant position" instead of "departed employees" and "authorize open positions" should be "vacant positions." Contractors are not employees and shouldn't be included in the organization chart but are engaged for long-term assignments.

Vice Chair Siegler responded we need to include contractors as part of the spending. Mr. LaBossiere should be included because he's on an assignment for a duration of time and filling a position for an extended amount of time. It shows us how many people are working for the organization. My experience with organizations are that their head counts are different than what they really are. I want to have a chart that shows who we are paying. The bluff trail project had contractors working on the project. I suggest putting an asterisk by employees who work more than fifteen hours a week. Would you help me with the wording in this section?

Ms. Madrid responded yes. We can't create a position without Board approval. We have hired FRM to fill in as a contractor. Alex Handlers is working under a professional services agreement because he's handling a variety of tasks with the rate study. We had temporary employees in the administrative office working on a temporary basis. They are hired as temporary employees covering a vacant position and they are hired using an agency who handles the background process and workers compensation. We pay the agency and it's considered short term.

Public Comment:

Cheryl McDowell – you don't have 1099 employees?

Mr. LaBossiere responded there are no 1099 employees.

Chairman Pierson said that district counsel should be included on the organization chart and Senator Florez should have been listed as an asset.

Ms. Madrid responded that district counsel is included on the organization chart.

Chairman Pierson asked questions regarding the account criteria questions.

Mr. LaBossiere agreed to help Vice Chair Siegler with the description.

Chairman Pierson suggested that Vice Chair Siegler make the changes, reformat the document and bring it back to the next meeting.

Ms. Madrid suggests using the purchasing policy format for new policies.

Public Comment:

Laura Swartz - do we have two or three enterprise funds? Page 46 references three enterprise funds.

Mr. LaBossiere responded that he addressed this before. The auditor combined the SWF in the water fund. An enterprise fund must be self-sustainable and include all faucets of delivering water, etc. The SWF never had a rate structure where it could be self-sustainable. It's involved with water; the auditors haven't treated it as a separate enterprise fund.

Chairman Pierson suggested removing the SWF as an enterprise fund.

Public Comment:

Laura Swartz - when they did the prop 218 to fund the EWS, it was supposed to be independent and not taking money from the water fund.

Vice Chair Siegler stated it doesn't meet the criteria for the separate fund.

Chairman Pierson stated the reason we have separate rates and accounting is because the loan stipulates we must have the accounting and revenue source separate.

Public Comment:

Laura Swartz - any money going into water department, can it be transferred to the EWS at any time because it's considered one entity?

Mr. LaBossiere responded that the auditor supports that.

Public Comment:

Paul Nugent - is the bank aware the revenue source is convoluted?

Mr. LaBossiere stated there's two parts of funding for the SWF. One is for the loan and the other is for operations.

Public Comment:

Donn Howell - stated the two charges on the bill is a standard base charge for the new water facility and the usage charge, which is related to rate payers using the water in general. Those two new figures are related to the new water facility. It needs to be clearly separated for people who don't understand it.

Laura Swartz - this protest is inaccurate for a second time. You gave us three choices, and

there's two. There's one enterprise fund for water and the SWF money can be switched back and forth.

Cheryl McDowell - the last time this board met, you talked about the equipment running for sixty days. Are the rate payers going to be charged for that as an operational cost?

Chairman Pierson responded no you misunderstood. There's no plan to run it for sixty days. It's being run to recirculate water through the plant. We must run the plant for the membranes and for training. That is not the full-blown operation where we take the water from the well field.

Committee member Lee stated we did some research on this when we were looking at construction of the plant to run additional lines. We must keep the filters and seals operational. The plant is turned on 2-4 hours twice a month and the maximum run time is eight hours. It's not producing anything into the aquifer. It

recirculates eight hours a month to keep the equipment operating. It's operating but it's not producing water into the aquifer. It's maintenance.

Public Comment:

Crosby Swartz - when it's being recirculating, it's not producing wastewater that needs to be disposed of. It's fresh water. We don't have the trucking and disposal costs.

Cheryl McDowell - how does one take a tour?

Ms. Madrid responded to send me an email and I'll get you a tour.

Public Comment:

Paul Nugent- we are going to cycle things and leave the rust that's sitting on the top and not paint it? I've seen a lot of stuff that's collecting dust.

Chairman Pierson introduced the reserve policy.

Committee member Steidel stated the two resources we looked at was the special districts recommended outline of policy procedures and the CCSD's existing policy procedures. In reviewing the two items, we created a structure and covered potential items or definitions on the CCSD policy. The major difference is it has more structure to it than a narrative than existed previously. The intent there was to be able to find the overall purpose which wasn't easily identified. I would like the committee's feedback.

Vice Chair Siegler stated are recommending setup to manage our normal operation of purchasing and maintaining assets or whether it's to address unusual circumstances and emergencies. My own definition of reserves is money set aside for unusual circumstances and emergencies, and not general purposes. This seems to be more operationally focused.

Committee member Steidel responded in terms of enterprises, it seemed that most circumstances would be operationally related except for a leak, which would fall in the CIP reserves. It could be too limiting, and we need to expand that.

Vice Chair Siegler stated the vehicle reserve policy would be replacing vehicles. Is this meant to create a fund for doing that or a fund for when the truck breaks down and we don't have the funds available and need to replace the truck?

Committee member Steidel responded it's in relationship with the asset management program and potentially requires replacement in a certain period.

Public Comment:

Cheryl McDowell - introduced set-aside term and was doing it for the CIP project fund, not a black hole reserve.

Crosby Swartz- it sounds like you need to have two types of reserves: fixed reserve and a buildup reserve to replace an asset you know you'll need to replace.

Chairman Pierson stated if we want to replace water lines, that's a major expense. If we receive grant money and we need funds to match, we need to have funds set aside to match the grant.

Public Comment:

Paul Nugent - I've here for 3 months and haven't received a water bill yet.

Ms. Madrid responded that we bill bi-monthly.

Public Comment:

Cheryl McDowell - John needs a new vehicle. This was presented to the Board and was declined. if there was a reserve set aside, he'd have the vehicle today.

The committee responded they are trying to establish a reserve policy that hasn't been in place.

Public Comment:

Crosby Swartz- she mentions unplanned events and catastrophic failure but on page 51 it talks about a CIP reserve and vehicle reserve but there's no category for unplanned events.

Laura Swartz- it looks like the decisions already been made by the water and wastewater funds. The decision has been made? Shouldn't that be public knowledge?

Mr. LaBossiere responded that it's been in the board packet. The auditor states it didn't meet the criteria for the fund.

Chairman Pierson stated the CIP can be taken project by project. When a big project comes along, we must have reserves to fund it.

## **B. Discussion on Buildout Reduction Program Finances**

The committee didn't discuss this item.

## **C. Update on the Fiscal Year 2017-2018 Audit**

Mr. LaBossiere stated the September 20<sup>th</sup> date was based on an email from the auditor to finish up things petty cash count and start on the current. I suggested moving the auditor coming to the district in late October.

Vice Chair Siegler asked is there an expected date of completion?

Mr. LaBossiere responded that we haven't discussed the date of completion. The District was unhappy about the audit being late last year. He's expecting to complete it earlier this year. A viable target date would be December to January.

Public Comment:

Cheryl McDowell - are you redoing the audit?

Mr. LaBossiere responded this is the audit for July 1, 2017 through June 30, 2018.

Mr. LaBossiere stated the approved budget still needs work with the expenditures. I would presume there will be a mid-year budget in November.

Vice Chair Siegler stated since we are doing a draft policy on budgets, what you've said doesn't comply with the proposed policy. I would appreciate if you looked at the mid-year budget portion of the policy.

Mr. LaBossiere responded I will.

Chairman Pierson suggested moving the remaining items to next month's agenda, unless anyone wants to meet twice next month.

The committee agreed.

#### **D. Update on Securing a Finance Manager**

Mr. LaBossiere stated that Pamela Duffield is the new finance manager. She was here yesterday and worked at the district several years ago as the assistant finance manager. She has a great background. She's a hard worker, intelligent and has a wide base of knowledge. She left the district because her role here was somewhat limited. She wanted to learn more and that's a very positive thing. Her first day will be October 1, 2018.

#### **E. Discussion and Consideration Regarding Developing an Inter-fund Loan Policy**

The committee didn't discuss this item.

#### **F. Discussion Regarding Purchasing a Vehicle for the Wastewater Department**

Chairman Pierson introduced the item.

Mr. Gresens stated one of our key service trucks broke down last week and yesterday. It is a 2003 F-350 diesel truck with 250k miles on it. It has a crane to pick up pumps and motors. Mr. Allchin has done research on this and he'll talk about proposal. We looked at several alternatives. We want to make sure this committee can weigh in on it and give us input or direction and at a future board meeting we seek a mid-year budget adjustment to purchase truck. He asked for this truck back in April and it got cut in May. A justification form was included.

Mr. Allchin stated I recommend we replace it with a like size, standard truck. We can return the utility box to that truck and add an auto crane. We don't need a 4-wheel drive vehicle. The box would be supported for the auto crane. This truck has been on several budget requests and it's been cut every time. I got a quote and the current fix is \$5500, and it exceeds the value of the truck. It started dumping fuel under the engine. Perry Ford's bid is \$60k plus tax.

Chairman Pierson asked if anyone is giving us good terms on a financing deal?

Mr. Allchin responded I haven't asked but can send the request to the dealers.

Chairman Pierson stated if we can get a low interest rate, that may be a better way to buy.

Mr. Allchin stated I can get that information.

Ms. Madrid stated we can look at muni finance to see what kind of terms we can get.

Committee member Lee asked how many bids did we get?

Mr. Allchin responded that we got bids that vary from \$59k to \$62k. The bids are like for like.

Mr. LaBossiere stated I previously worked on purchasing two or three trucks for the district and the dealers have the state government rate and it was \$5-\$7k cheaper than the private party rate.

Mr. Allchin responded I don't see the government rate on Perry Ford's proposal.

Vice Chair Siegler asked is there a chance that you can retrofit the existing crane onto a new truck body?

Mr. Allchin responded I don't want to use the existing crane, it's undersized for our equipment, it's manually operated and it's currently damaged. The crane bow is damaged. The crane has tried to lift things out of a man hole that the crane can't lift. The crane is extremely undersized, and we really need to upgrade the crane.

Vice Chair Siegler asked what's being removed from the budget to make this money available?

Mr. Allchin responded good question, we are trying to not reduce the budget. We are trying to figure out creative ways to get the truck purchased without taking money from maintenance.

Vice Chair Siegler stated this is a great example of protesting the rate increases. This truck is obviously something we need as a district, but we don't have the money. If we don't have an offset, i don't see how we could be supporting it. I'm not attacking what you want to do, I'm attacking the district's finances. I feel strongly about supporting rate increases.

Public Comment:

Harry Farmer- seems like an emergency to me. Isn't there a way to do a loan from the general fund now and pay it back if we get the rate increase?

Chairman Pierson asked do you consider this an emergency?

Mr. Allchin responded we are borrowing a truck until October, this will get us along. This is an example of equipment failing because it needs to be replaced.

Chairman Pierson responded bravo to you for adding it to the previous budgets. You're borrowing a truck from Facilities & Resources?

Mr. Allchin responded yes. If we rent a crane, we can. We have a bumper crane and a 2,000-pound crane. We can't pull large items with the 2,000-pound crane that's on another service truck. I want to replace the 2,000-pound crane with a 3,200-pound crane.

Public Comment:

Laura Swartz - didn't we just buy a new truck for the SWF? Wouldn't this be an emergency, more than the SWF?

Chairman Pierson responded that the new SWF employee needed a new truck to do his job and it's an entirely different truck and different fund.

Mr. Gresens stated we can come back to the committee with answers about financing. We can talk about an inter-fund loan and give an explanation about the crane being damaged. We need direction from the committee.

Chairman Pierson responded if we can investigate financing the truck with a zero to two percent loan rate, it's a better solution whether the rates are increased or not. I don't know how the rest of the committee feels. Can we get a municipal loan? What's the financing per month? Is this the number from the state contract? Until we get those answers, we can't make a decision. I recommend you come up with answers to those questions and it be on the full board's agenda for the 10/4 Special meeting. It's also the meeting where we find out if we have new rates or not. The full board can then decide to support it or not.

Public Comment:

Cheryl McDowell - has there been consideration for leasing?

Mr. Allchin responded there was no available lease at this time. Paso Robles Ford said they will not lease construction equipment. It's fifteen years old.

Public Comment:



Paul Nugent - it should have lasted longer? Isn't there training in place for new employees for the crane and what it's capable of?

Mr. Allchin responded upon my arrival there was no crane training. The new crane will come with a training program. The crane I'd like to purchase tells us the boom angle, weight and how much it can lift. The current crane is rusted, and it's been like this for many years.

Committee member Lee said to proceed with getting the information, the wants, the competitive bids from other places, options to buy and the finances with the government program. If we can get that from the staff, the Board of Directors can decide. We are the recommendation.

Chairman Pierson responded bringing this back to us in October would delay the process and suggests bringing it back to the Board for approval on October 4, 2018.

Public Comment:

Donn Howell - is there a procedure for disposing the old crane?

Ms. Madrid stated if it's over \$500, we would ask the board to determine it surplus, advertise and sell it. If it's under \$500 we dispose of it.

#### **4. FUTURE AGENDA ITEMS**

Chairman Pierson would like the finance manager's input on both policies at the next meeting.

#### **5. ADJOURN**

Chairman Pierson adjourned the meeting at 12:14 p.m.