

Corinne W. Wiley, President
Catharine Benediktsson, Vice President
V. William Brady, Secretary

Casey Kawamoto, Director
Claire McAuliffe, Director

**Sanitary District No. 5 of Marin County
Finance & Fiscal Oversight Committee Meeting
at Sanitary District No. 5 of Marin County Meeting Room
2001 Paradise Drive, Tiburon, California
Thursday, September 3, 2009 9:00 a.m.**

CALL TO ORDER at 9:12 a.m.

- I. ROLL CALL:** Directors present: Catharine Benediktsson, Vice President
Claire McAuliffe
- Staff present: Robert L. Lynch, District Manager
Samantha Miller, Office/Finance Manager

II. PUBLIC COMMENTS: None

III. NEW BUSINESS:

a. Proposal from Mr. John Farnkopf of HF&H Consultants, LLC (attached)

The Committee reviewed Mr. Farnkopf's proposal for professional financial services for a sewer rate update, including financial and rate studies. His proposal is for \$40,000, which falls within the District's FY 2009-2010 budget for these services for a potential sewer rate increase. V.P. Benediktsson noted that last time Mr. Farnkopf worked for the District, he contracted for \$38,000, but the actual amount billed was \$21,000. One benefit of hiring Mr. Farnkopf for these services again is that he already has his financial models built, so he will only have to update the models this year.

The Committee asked Mgr. Lynch whether he is satisfied with this proposal, and he confirmed he is. The Committee recommends that the Board approve this proposal from Mr. Farnkopf, but they would like the model to be fine-tuned. The details regarding this fine-tuning will come later, once they see the model.

b. Proposal from Mr. Martin Rauch of Rauch Communication Consultants, LLC (attached)

The Committee reviewed Mr. Rauch's proposal for a public outreach program to support financial and rate studies and changes. The Committee agrees the public

outreach work needs to be done by an expert and Mr. Rauch is a high quality, experienced expert with these public outreach programs. However, the Committee discussed their concerns with the high cost of Mr. Rauch's proposal, which is currently \$49,200. The Committee asked District staff to contact Mr. Rauch to get a second look at the proposal and see if there are any cost cutting measures that can be made.

c. Commercial Sewer Service Charges

The Committee discussed the District's current method of determining commercial sewer service charges. They agreed the commercial sewer service charges should be re-evaluated during a future Proposition 218 process.

d. Bay Area Clean Water Agencies Membership Information

Mgr. Lynch presented information to the Committee from the Bay Area Clean Water Agencies (BACWA) JPA regarding membership dues. He said the District currently pays about \$5,000 in BACWA membership dues. The Committee would like Mgr. Lynch to continue looking into whether the District is required to pay such a high amount in fees to BACWA.

e. Warrants for August 2009 (attached)

The Committee reviewed and approved warrants for August 1 - 31, 2009, #3211 through 3278, in the amount of \$114,942.81. The Committee asked about the \$6.00 returned check fee from Bank of America. Mgr. Miller explained that one of the Seafirth connection fee checks was returned, but the homeowner wrote a new check to the District for the full amount, plus the returned check fee reimbursement of \$6.00. The Committee also asked whether the dental insurance premiums to Preferred Benefit are monthly or quarterly (warrant #3214). Mgr. Miller replied they are monthly premiums, normally around \$1,200 per month. The Committee would like Mgr. Lynch to look into whether it would save the District money to self-insure for dental.

The Committee discussed warrants #3218 and 3268 to Perotti & Carrade for progress work on Phase 2 of the internal audit. These two warrants for the month of August totaled \$5,005.00. This accounts for 41.7% of the District's budget for audit and accounting expenses this fiscal year, and we are only two months into the year. The Committee is concerned with the high costs so far, and they would like to get an estimate from Mr. Perotti for how much longer it will take to complete Phase 2 of his internal audit and how much more it will cost. Mgr. Miller informed the Committee that it will cost \$1,500 for the District to create its own account with ProSytms and obtain its own license for the report writing software. The District will then have to pay Perotti & Carrade to train Mgr. Miller on the new software and create the necessary

report templates, and the District will also have to continue paying \$675 per year for the ProSystems license.

Mgr. Lynch explained that the PG&E bills have been more expensive than usual in July and August 2009 due to the secondary clarifier scum trough replacement capital improvement project; the wet weather pumps have had to cycle on and off. Lastly, Mgr. Lynch noted the high cost of uniform laundry service for the employees, warrant #3252 to Cintas Corporation for \$940.16 for the month of July. Mgr. Lynch is looking into the cost of buying pants for the employees instead of continuing to rent the uniforms from Cintas. In addition, he is considering buying a washing machine for the District (it already has a dryer), so the employees can wash their uniforms themselves, instead of paying Cintas for laundry service. This could be a potential cost savings for the District.

f. Financial Reports for August 2009 (attached)

The Committee reviewed and approved the Financial Reports for August 1 - 31, 2009. Mgr. Lynch noted that account #225.2 Secondary Clarifier Refurbish is currently only at 10.5% of its budget. Not all of the final bills have come in yet for this project, but Mgr. Lynch expects the project to end up costing about 20-25% of its \$40,000 budget; this is because District staff took on the capital project in-house. Due to District staff's hard work on this project, this will end up being a huge cost savings to the District.

Mgr. Miller explained to the Committee the changes she has made to the accounting of the reserve accounts for FY 2008-2009 through today, in order to more properly allocate funds. In FY 2008-2009, the capital revenue and expenditures were not properly accounted for in the Capital Reserve accounts; instead, all transfers were coming in and out of the Operating Reserve accounts. Mgr. Miller corrected this with adjusting month-end journal entries for FY 2008-2009, and she will continue to do this for FY 2009-2010 and forward. In the past, District staff was not capable of doing this on a monthly basis, so the District's outside CPA had to do this at year-end. Mgr. Miller is now able to do this work in-house (along with the year-end conversion from cash basis to accrual basis accounting).

These adjusting journal entries to the Capital Reserve account for FY 2008-2009 could only be done for the Tiburon zone, however, since the Belvedere zone's capital expenditures far exceeded its capital revenue in FY 2008-2009; the Belvedere Capital account would have been left with a -\$42,099.62 balance on June 30, 2009 if all transfers had come in and out of its Capital account. However, Mgr. Miller is keeping track of this running Capital account balance for Belvedere in a separate Excel spreadsheet, for reference. District staff expects the Belvedere zone's capital revenue

to exceed its capital expenditures in FY 2009-2010, so hopefully the Belvedere Capital Reserve account will have a positive balance at the end of FY 2009-2010.

The other important change Mgr. Miller made was to split the Connections Reserve accounts into Collection and Treatment accounts. The District started splitting the connection fees into collection and treatment components in July 2006, but both components were still being put into one reserve account, called "Connections." Mgr. Miller split these funds out into the two separate reserve accounts, "Collection" and "Treatment," so the balances of both components would be readily apparent, since both of these funds have separate legal designations and restrictions. By doing this, Mgr. Miller and Mgr. Lynch were able to see that the Tiburon Collection Reserve account had a balance of \$166,501.08 and the Tiburon Treatment Reserve account had a balance of \$198,103.96 on June 30, 2009. Therefore, in accordance with the legal designations and restrictions of these two funds, Mgr. Lynch directed Mgr. Miller to use \$65,000 from the Tiburon Collection account to pay towards the costs of acquiring the Paradise Sewer Line Extension from Mr. Jansheski, and \$195,000 from the Tiburon Treatment account to pay towards the costs of the new Paradise Cove package treatment plant. Mgr. Miller did this in a June 30, 2009 adjusting journal entry; these capital expenditures had initially all been deducted from Tiburon's Capital Reserve account when Mgr. Miller did the correcting month-end journal entries for FY 2008-2009. In the June 30, 2009 adjusting journal entry, \$100,000 was also used from the Tiburon Collection account towards the costs of the '93 Line payment to Rabin, which had also originally come out of the Tiburon Capital Reserve account. Once the District receives all of the connection fees from Seafirth (which should total approximately \$215,000 in additional collection funds and \$85,000 in additional treatment funds for Tiburon), Mgr. Lynch would like Mgr. Miller to apply additional funds from the Tiburon Treatment account towards the FY 2008-2009 expenditures for the Paradise Cove treatment plant, as well.

Finally, Mgr. Miller made adjustments to the SASM Expense Reimbursement and the SASM Supplies and Chemicals accounts to correctly credit the appropriate accounts and more properly allocate the funds between the zones.

All of these correcting journal entries and accounting changes resulted in the following fund balances as of August 31, 2009:

Belvedere:

Operating	\$495,505
Capital	\$ 1
Collection	\$ 50,241
Treatment	<u>\$ 85,223</u>

Total: \$630,971

Tiburon:

Operating	\$1,151,416
Capital	\$ 926,352
Collection	\$ 154,281
Treatment	<u>\$ 72,299</u>
Total:	\$2,304,347

These balances can be found on an Excel spreadsheet Mgr. Miller created of all the month-end fund balances by zone for July 2008 through August 2009 (attached).

The Committee was pleased with the accounting adjustments and corrections Mgr. Miller made for FY 2008-2009 and the beginning of FY 2009-2010. Mgr. Miller has prepared all the supporting documentation for these adjustments to provide to the District's auditor, as well.

IV. ADJOURNMENT at 10:46 a.m.

Recorded by Samantha Miller