

ALTO SANITARY DISTRICT
MINUTES OF THE MEETING OF WEDNESDAY, NOVEMBER 23, 2016

1. **Call to Order and Roll Call:** Chairman Stanley Bransgrove called the meeting to order at 7:30 p.m. Board Members present: Directors Janis Bosenko, Pedro Femenia, and Roger Gainer. Board Members absent: Director Todd Gates. Also present, Manager Bill Hansell.

2. **Adoption of the Agenda:**
Motion: To adopt the agenda as submitted.
Moved: Femenia, seconded by Gainer
Vote: Ayes: Unanimous

3. **Visitors to the Meeting and Open Time for Public Expression:**
 There were no visitors from the public.

4. **Consent Calendar:**
 a. Minutes of the Meetings of October 26th, 2016
 b. Financial Report for October 2016 and List of Payments to be approved.

Hansell reported that the Operations Fund has a balance of \$72,048.25 after adjusting for all revenues and warrants cleared or not cleared by the meeting date. After payment of the proposed warrants, it will have a balance of \$62,992.84 (not incl. pending tax revenue.) Hansell reported that the Reserve Fund has a balance of \$216,283.51 and the most recent statement balance on the Personnel Payment account is \$2,824.97.

Hansell presented the following warrants for approval:

<u>Check #</u>	<u>Payee</u>	<u>For</u>	<u>Amount</u>
00054	Alto Sanitary District	Personnel Payment Account	6,000.00
00055	Bill Hansell	Office copies	30.08
00056	AT&T	Office Telephone	68.49
00057	Consumer Cellular	Cell Phone	21.82
00058	Nute Engineering	Engineering work	3,558.50
00059	Roto-Rooter Plumbers	Location work	1,584.18
00060	Marin Co Tax Collector	Legal Counsel - Q1	615.00
00061	Roger Paskett	District Manager Consulting	318.75
00062	Marin County DPW	Annual Encroachment Permit	490.00
		Total Warrants:	12,686.82

Motion: To approve the Consent Calendar, as submitted.
Moved: Gainer, seconded by Bosenko
Vote: Ayes: Unanimous

5. **Item 7a: FY2015-2016 Audit was moved up to accommodate the auditor's available time:**
 Auditor Terry Krieg presented his audit of the financial statements and expressed the opinion that they represent fairly the financial position of the district for the year ending 6/30/16. The report includes the independent auditor's report, management's discussion and analysis, the statement of net position, the statement of changes, and the statement of cash flows. He noted changes distinct to this past fiscal year, for example establishing a new reserve fund, and that the district is in good financial position with good liquidity and no long term debt. He noted that there are neither pension

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obligations nor Other Post Employment Benefit (OPEB) obligations that most other local agencies have to deal with. He highlighted the major revenue and expense categories. He stated that there were no unusual problems dealing with the audit process and asked the board if they had any questions.

Director Gainer asked how SASM's new bond for capital improvements to the plant and the obligations all the districts will have servicing it will be stated in future audits. Krieg noted that there will probably be an expanded disclosure and that the debt belongs to SASM while the districts are just obligated to assign their revenue to its service. Chairman Bransgrove noted that the increased rates were intended to address that. Gainer also asked Krieg's opinion of what an appropriate reserve amount should be for the district. Krieg noted that this is a very subjective area with most governmental agencies unable to set aside reserves out of operations revenue. He suggested that the district determine an amount by assessing the conditions of its laterals and main lines and determining a timeline for replacement with appropriate cost escalations. He said that there is no rule of thumb and some districts have annual increases. Emergency situations usually result in the need for bonds rather than relying on reserve funding. Hansell noted that other managers on the CA Special Districts Association's listserv often inquire about reserve goals and that targets vary widely.

Gainer asked Krieg how long he planned on continuing his practice. Krieg estimates he will retire in five years but that his sister, also an auditor, may take over the practice. Hansell asked about standard practice for evaluating depreciation of assets versus using a straight line approach. Krieg said that local governments as a group fail to reassess their assets to see if they are actually performing as anticipated. Krieg recommended that the district take a look at its assets to see if any should be written down due to obsolescence so they can be taken off the books.

Hansell noted that the audit mentioned no sick leave obligations but that there is a 2015 California law he recently came across that compels minimal sick leave which the district may be required to abide by. County Counsel is reviewing compliance and future audit reports should reference that benefit, if necessary.

Motion: To accept the final audit as submitted.

Moved: Gainer, seconded by Femenia

Vote: Ayes: Unanimous

6. Manager's Report:

Hansell reported on the following:

- a. USA locations – Six calls were responded to by Roto-Rooter.
- b. Sewer Lateral Ordinance Projects – Nute completed one inspection. Also, an application for work at 57 Shell Rd was reviewed.
- c. Sewer overflows – None to report.
- d. Fixture Count Inspections – None to report.
- e. Sewer Maintenance – Manhole cover maintenance – sealed to reduce noise complaints. Hansell noted the GIS app which Nute has been developing and the information/record keeping now available.
- f. Nute and Roto-Rooter Coordination – Hansell provided meeting summaries.
- g. Annual Audit for FY 2015-16 – Previously addressed in the meeting.
- h. Budget Amendment – To be addressed later in the meeting.
- i. Capital Improvement Project Proposal for FY2016-17 – To be addressed later in the meeting.

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- j. Memorial Commendation for former manager Tom Roberts – the Board of Supervisors will be adjourning a meeting in honor of Tom Roberts on 12/06/16 and will send letters to the district and Roberts family.

Director Bosenko asked if any of the USA calls were for new construction work. Hansell reviewed the Roto-Rooter reports and it appears all were for maintenance.

7. Reports on Outside Meetings:

- a. SASM Board Meeting – Director Gainer reported on the meeting as follows:

Gainer displayed the bond agreement packet and stated that it closed just prior to rates skyrocketing. SASM received a tremendous premium on the bond and one of the benefits will be expenditures on odor control improvements. Chairman Bransgrove asked about the add-cost on the trickler and Gainer believes it was included. Site security and some other improvements were eliminated to focus on odor control. Gainer said that SASM netted \$32.6M and folded in a previous bond to reduce costs. The current project estimate is \$30.6M and includes a 30% contingency. The hardest part will be price escalation if the federal government increases general funding for projects.

- b. District Manager’s Meeting – Hansell stated that the regular meeting was canceled.

8. New Business:

- a. Resolution 2016-08 – Adoption of an amendment to the budget for 2016-2017 to include revised management costs:

Hansell noted that the revised budget has been reformatted to match the audit and quickbooks records more closely. Also, the former budget included the CIP as a typical operations expense, which it is not, so that has now been listed after the net operations balance. The CIP amount has been updated to recognize the actual amount available per prior discussions.

Motion: To accept the final audit as submitted.

Moved: Gainer, seconded by Bosenko

Vote: Ayes: Unanimous

- b. Proposal for FY2016-2017 Capital Improvement Project:

Director Gainer asked about Nute’s concerns regarding cost estimates for the previously assumed scope of work. Hansell noted that the original estimated scope was based on a \$200K budget but adjusting for year to date expenditures it is actually \$170K. The current options are to reduce the work or, conversely, shift some of the intended reserve funds to accommodate the entire scope. Gainer is looking for Nute’s expertise as to whether it would be more advantageous to expand the CIP budget to as much as \$300K. Chairman Bransgrove is inclined to expand the work as necessary to address pending needs and the board generally agreed that would be prudent. Hansell stated that the prior reserve target was \$500K but if construction cost escalation exceeds interest return on reserve funds then it makes more sense to move projects forward instead. The board directed Hansell to have Nute move forward. Gainer suggested that Nute attend a future meeting to discuss the CIP plan.

- c. Assign a substitute Director for the SASM board meeting on 12/15/16:

Director Gainer is unable to attend but no other directors are available.

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d. Consider approval of the proposed 2017 Board Meeting Schedule:

Hansell proposed a draft schedule. Generally, the board agreed but Chairman Bransgrove would like to revisit the end of year dates in the July meeting.

9. Future Agenda Items:

Director Bosenko asked if there were any discussions or consideration of low-income exemptions on rate increases. Hansell noted that he had reviewed that with Nute and the other Managers but there wasn't any precedence. He will check again and let the board know if there is more info on the subject.

10. Directors' Open Time:

Director Femenia tendered his resignation and noted that December will be his last meeting. He has served on the board for nearly 28 years and first started in 1989. Chairman Bransgrove said Femenia would be missed.

Bransgrove and Femenia co-signed the approved checks.

11. Adjournment:

Motion: To adjourn the meeting at approximately 8:28pm.

Moved: Femenia, seconded by Bosenko

Vote: Ayes: Unanimous

Minutes respectfully submitted by Bill Hansell.

**THE NEXT REGULAR MEETING WILL BE HELD IN THE
CONFERENCE ROOM OF THE SEWERAGE AGENCY OF
SOUTHERN MARIN, 450 SYCAMORE AVENUE, MILL VALLEY
AT 7:30 P.M., WEDNESDAY, DECEMBER 28, 2016**