

**TOMALES VILLAGE COMMUNITY SERVICES DISTRICT  
BOARD MEETING**

Minutes of Meeting held February 8, 2012

**Board Members Present:** Walter Earle, Patty Oku, Hope Sturges, Joyce Coll and Eric Knudsen  
**Board Members Absent:** None

**Also Present:** Karl Drexel, Administrator

Paul Duffey	Dru Fallon O'Neil	Donna Clavaud
Terry Duffey	Beth Koelker	Auditor, Craig Fechter, CPA
Venta Leon	John Ward	

**Board President Walter Earle called the meeting to order at 6:07 p.m.**

**Approval of Minutes:**

The Chair entertained a motion to approve the January 11, 2012 board meeting minutes and asked for any corrections and additions to the minutes. Paul Duffey addressed the Board regarding the discussion at the last meeting having to do with his discussion with the Phillips employee at the plant and indicated that the minutes did not reflect accurately what transpired. Walter Earle noted that the minutes summarized that Phillips & Associates requested a policy regarding any questions the public has regarding their operations and that the minutes did not need to go into detail. Paul Duffey then said he would bring up his concerns in Open Communication. Hope Sturges clarified that she commented that she felt a certified operator of Phillips should be present when ever any work is done on the plant or equipment. With changes stated:

**Patty Oku made a motion to approve the minutes of the January 11, 2012 Regular Board Meeting with corrections and additions. Seconded by Eric Knudsen. M/S/U.**

**Financial Report:**

**A. B & C.** The Administrator submitted the financial reports and a list of payables for the months of January – February along with copies of the check registers for the month of January.

**Patty Oku made a motion to accept bank statements, accept the financial reports, and approve expenditures. Seconded by Eric Knudsen. M/S/U.**

**D.** Craig Fechter, CPA submitted the Districts Audited Financial Statements and discussed the same. He noted that smaller districts don't have a large staff to compile all of the different segments of an audit like larger districts, but that he was able to get the information he needed and what the District is doing is fine. He explained how he checks all of the data with written confirmations from the banks, the SUSD, the bond holder, selected vendors, the County, etc. He also said it was a good idea to continue having a Board member review the bank statements and reconcile them. Terry Duffey asked the auditor if he would explain the statement on his report "free of material misstatements." He explained that the auditor cannot, in all certainty, guarantee that every financial item is correct without fully reconstructing the entire set of books, so they select various items for inspection. They do enough testing on the financials to determine that there are not any errors of material significance. If there were, something would show up in the selected testing they do. They get written confirmations from the banks confirming that what you say you have in an account is actually what the bank says you have. They get confirmations from the State that what you say you owe is what you actually owe. Craig also noted that one of the things they like to do in an audit is to compare what the contract with the Administrator says with what he is being paid. Because there is no written contract, their only recommendation to the District from this audit, is that a formal contract be drawn up.

Donna Clavaud asked how a small District can guarantee quality control of their financials when they might not have the financial resources to hire additional people. The Auditor gave several examples of ways the Board can mitigate potential risks. Having someone review and reconcile the bank statements each month like is done is a great step. The Board reviewing month to month financial statements and being educated in what they mean is a good control. Reviewing the Budget v Actual statements each month is a good control. All of these things help administrate the District financially and provide controls to mitigate potential problems. He also noted that as auditor's they look specifically for things that could go wrong, but don't expect to find anything and didn't find any irregularities with the financials of the District.

The two most important parts of the audit, according to Craig, are the Balance Sheet and the Profit and Loss Statement. One of the most important components to watch is the Cash Balance from month to month. It gives a picture of the financial health of the District. The next most important part is the P&L which shows how the District did financially for the year. This District had a net income of \$2,585. As a general principal, the auditor suggests looking at the operating budget compared to cash reserves to see what would happen in the case of an emergency. He indicated that the District had strong reserves.

Patty Oku asked Craig to briefly explain the differences between accrual accounting and cash accounting. He explained that the accrual method was probably the best method for the District since it shows actual liabilities that are out there that haven't been paid yet and income that is coming, but hasn't been received yet. He said he felt this was a clearer picture than the cash method where you spend a lot of money on a capital project which shows up as an expenditure for the month, and no corresponding income, whereas the accrual method would show the expense and a corresponding reimbursement due from a grantor. John Ward asked the auditor if the District was using cash accounting or accrual accounting. Craig explained they were using accrual accounting so it's fine. Patty explained that she reviews the bank statements, reconciles them and compares them with the check register every month, which is one of the controls that Craig was talking about. Venta asked if she also got copies of all of the invoices and she noted that she did not review the invoices except what is in the Board packet and the list of current payables .

Paul Duffey addressed the auditor noting that if he would give them management audit and operational review material, he said there are a lot of people that would volunteer to oversee the controls he has mentioned. He also asked the auditor how he could go about seeing a 1099 that the District sends out. The auditor suggested that he ask the Administrator for a copy.

Eric asked if after looking at the revenues and expenses and the cash reserves if the auditor thought the District should be looking at a rate increase in the future, especially considering the unfunded depreciation expense. The Auditor said he was not comfortable going on record one way or another, but he did note that sanitary districts and water districts have infrastructure that is in the ground and there is no way of knowing how long it will last. He said he would recommend a long term capital replacement program be considered. Venta suggested that Phillips could determine the life expectancy of the equipment and the replacement cost of the equipment. The Administrator noted that he could develop that information as does Knute Engineering out of San Rafael, but that it is an expensive report.

Craig also spent a few minutes discussing the financial training he will be offering in May covering Financial Statements and how to read them, cash vs. accrual accounting, budgeting, best practices and controls, and maybe projections.

**Phillips & Associates Report:**

- A. The Administrator reported that the aerator for pond three is in place. The broken aerator has been set aside. He noted that he had a new SCADA integrator that was going to check on data

collection and reporting problems and the alarms. He also reported that the comminutor is still off line because of the rocks. Steve Phillips is pretty sure they are coming from the High School and will continue to investigate.

**Committee Reports:**

**A. Newsletter Committee**

Terry Duffey reported that there was no Newsletter scheduled at this time. She noted that the next Newsletter will probably be in May.

**B. Fundraising Committee**

Eric and Patty reported that they are working on a new Party in the Park for July 1<sup>st</sup> this year. Eric noted that Party in the Park will be larger than the last one. Eric said he was going to speak to the SUSD Board about having more participation from the schools and will be requesting help from more people. Patty reported that she wanted to engage the Administrator to seek corporate sponsors for matching grants. Some of the suggestions were Lucas Films, Fireman's Fund, Marin Foundation, Friedman's, etc.

**C. Community Advisory Committee**

Donna Clavaud stated the committee has a communication to present to the Board, but will wait until Open Communication.

**D. Policy and Planning Committee**

1. Hope Sturges asked that the Strategic Plan be corrected to read "remove the gorse from the Irrigation Field". It was decided that it should be changed. The Administrator reported that he had not received any applications for committee memberships. He also noted that he submitted a Public Service Announcement to the West Marin Citizen, the Pt. Reyes Light, the Argus Carrier and the radio station in Pt. Reyes. Eric noted that he and Patty had sent a request to Debora Parrish, who had voiced an interest in leading that committee, but she has conflicts right now. Walter asked if it was still the plan to have at least one Board member on each committee, and it was agreed that it was.

The Administrator reported that the District belongs to a List Serve of different Districts within the CSDA and he received a description of ways to communicate with the public. He submitted a copy of that correspondence for the Board to review.

2. The Administrator reported that he had nothing new to report on the Policy Manual.

**Pending Business:**

**A. Grant Writing**

1. The Administrator noted that he was not working on any grant proposals at this time.

**B. Capital Improvement Projects**

1. The Administrator reported that he didn't have anything to report. He said that he contacted David and asked for an updated schedule for the Park, but has not heard back. He noted that the benches are at David's house and the changing tables are at David's house. He also noted that not all of the garbage containers are completed and installed and that there is still a lot of small things to do for a county final inspection. Patty offered to talk to David when she sees him.
2. The Administrator reported that the WWTP was awarded the Small Plant of the Year Award for the second year in a row. Because of that, the CWEA Redwood Empire Section wants to do one of their monthly tours and dinner meetings in Tomales on May 17<sup>th</sup>. He said he had talked to Marcos about having the dinner there and Marcos is happy to do it. Terry Duffey asked what kind of criteria do they look at to determine the winner. The Administrator noted they look at innovation and achievements in the wastewater field, including innovative practices, cost effectiveness and superior plant operations.

**C. SSMP**

The Administrator noted that he went to Sacramento and met with the education director for CSDA and discussed getting more free or low cost seminars for small districts. She said they were working on that and gave him a list of upcoming events, seminars and webinars that are

free or low cost to members. They also discussed the possibility of offering scholarships for small districts and recording the seminars to have available at a reduced cost through the website.

He also reported that he attended a public workshop at the State Water Resources Control Board regarding the Sanitary Sewer Management Plan requirements and proposed changes. One of the proposals was to require districts to report any private lateral overflows and submit plans for maintenance of them in the SSMP. There was enough opposition to that from districts statewide, and even some water board members, that it was shelved. Another proposal was to change the minimum criteria for collection systems required to submit SSMPs. Currently the requirement is for any agency with over 1 mile of collection pipes. The proposed change would add that the agency has to have an average flow of over 26,000 gallons per day. It was not determined at the hearing if that change would be accepted, so the Administrator and a couple of other small districts that were in attendance are writing letters supporting that change.

**D. Public Hearing on Budget**

The Administrator placed this item on the agenda to keep it open. He said he would not have a proposed budget until April or May, so a public hearing could be scheduled for that time. Patty Oku asked when the Board votes on a budget. The Administrator noted that there was usually a preliminary review and vote in May and a final vote in June.

**E. Kitts Property**

The Administrator reported that he had nothing new to report on the Kitts property.

**F. Henry's Contract**

The Administrator noted that he had submitted a revised contract to Henry, but has not had a response from him yet. It was noted that Henry has mowed the grass, but Patty Oku noted that he hadn't cleaned around the water tower or done the weeds in the path. Patty asked the Administrator to continue to follow up. Donna Clavaud asked to have the electrical system checked as well.

**G. Complaints and Correspondence**

Walter Earle reported that he had responded to Bruce Bramson's letter that was presented to the Board last month. That letter is attached and made a part of these minutes.

Paul Duffey addressed the Board regarding the amount of work and volunteer hours he has contributed to the District over the last several years and mentioned to Walter that he would present things material to the Board in written form at this meeting. He discussed the purchase of two pumps by Phillips in 2006 that were purchased at a savings to the District. He said he felt the Board should see it. He also said that he felt that his working at the plant has created a problem and misunderstanding, so he is withdrawing from that role. He said that he would be willing to volunteer if asked to do so for a specific function and he recommitted to helping wash the solar panels with Walter twice a year. He recapped his extensive volunteer involvement at the Park and noted the reward for that was working with David Judd. He said that was the highlight of all of his time volunteering. He submitted a copy of the minutes he was referring to and are attached and made a part of these minutes.

**New Business**

**A. Grand Jury Survey Request**

The Administrator presented a copy of the most recent request from the Marin County Grand Jury of all special districts in the county. He noted that this was probably the 5<sup>th</sup> or 6<sup>th</sup> such survey from the various grand juries over the last 12 years. He reported that he responded to the request in a timely manner and does not know what they are going to do with that information. The main focus seems to be on reserves and sustainable commitments such as retirement benefits.



January 11, 2012

Dear Board Members -

As both a concerned resident and rate payer, I respectfully direct these comments to the Service District Board, not its current Administrator. Further, I wish to make it quite clear that Mr. Drexel, in my opinion, answers to the Board and, as such, I have no issue with him. Surely he is accountable in his capacities as consultant, administrator and independent contractor, but it is the Board who directs and empowers him. And it is the Board to whom I look for prudence and due diligence. Given this perspective, I both request and recommend:

1. that the TVCSD Board identify and define all specific administrative and operational services currently required by the District;
2. that the Board immediately, and henceforth annually, put out to local, competitive bidding those services defined above.

In these difficult fiscal times, my intent is to more prudently allocate our small community's limited funds which are now dedicated to what I consider excessive compensation.

Thanking you in advance for your consideration.

Bruce Bramson [original signed on file]

27055 HWY 1, Tomales CA 94971 (po 212)

(707) 338-0687

ps. As a personal clarification, my time restraints on the second Wednesday of many months preclude me from holding a Board seat.