

**Management Study of the  
Tomales Village Community Services District**

**TOMALES,  
CALIFORNIA**

**matrix**   
consulting group

**May 2015**

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# **1. INTRODUCTION AND EXECUTIVE SUMMARY**

This first chapter introduces the analysis – outlining principal objectives and how the study was conducted – and presents an executive summary

## **.1. SCOPE AND OBJECTIVES OF THE MANAGEMENT STUDY**

The Matrix Consulting Group was retained by the Tomales Village Community Services District to conduct an organization and management study of the District to ensure that it meets the needs of the community, but also to provide assurance that it is effective in its oversight of the services delivered. Even small organizations need to be accountable to the public and this study was an opportunity to examine opportunities to improve upon management issues in the District. In a separate effort, the District examined the revenue side (i.e., rates); this study examined the expenditure side of the District.

The analysis was fact-based, and included all aspects of service provision. The analysis focused on:

- Management systems and controls;
- Effectiveness of service levels including, but not be limited to, use of contractors, preventive maintenance, and cost-effectiveness of service levels and service delivery; and
- Comparisons of the District's service levels to benchmarks and other objective indicators of effectiveness.

The objective of this assessment was to identify opportunities for improvement in the plan of organization, the operational and economic efficiency of the District, and develop practicable opportunities for enhancing the organization of the District to address its long-term financial, wastewater collection and treatment requirements, and asset challenges.

## **2. PROJECT METHODOLOGIES**

The Matrix Consulting Group utilized a fact-driven data collection and analytical process in conducting the study of the District. The methodologies are summarized below.

- The Matrix Consulting Group conducted preliminary data collection for the assessment to ensure a clear understanding of the scope of the project, and obtained an initial understanding of the District including business processes, operating budget, comprehensive annual financial report, service levels, and initial issues and opportunities for improvement.
- The Matrix Consulting Group conducted interviews of the Board, the General Manager, and the contract treatment plant operator. The purpose of these interviews was to develop an understanding of the District including how services are delivered, managed, and the costs associated with the delivery of those services.
- The Matrix Consulting Group collected data regarding service delivery by the District including services, the structure and functions of the District, budgets, workload data, management systems, inventory of the District's infrastructure, etc.
- The Matrix Consulting Group compared the practices and programs of the District to the Government Finance Officers Association, the American Public Works Association *Public Works Management Practices Manual*; best practices promulgated by the Special District Leadership Foundation; benchmarking performance indicators for water and wastewater utilities developed by the American Water Works Association / Water Environment Federation; *Core Attributes of Effectively Managed Wastewater Collection Systems* developed by the National Association of Clean Water Agencies and the Water Environment Federation; Best Practices / Advisories of the Government Finance Officers Association; and the experience of the Matrix Consulting Group.

The following section provides examples of the strengths of Facilities Management.

## **3. THE TOMALES VILLAGE COMMUNITY SERVICES DISTRICT EMPLOYS A NUMBER OF BEST PRACTICES.**

An organizational and management analysis, by its nature, focuses on opportunities for improvement. However, there are a number of strengths in the

operations and management systems of the Tomales Village Community Services District. Examples of these strengths are portrayed below.

- The District has developed some written policies and procedures for governance and management of the District.
- The District developed a clearly written, multi-year strategic plan in 2011. The District has accomplished some of the action plans within the strategic plan (e.g., create Finance Committee).
- A draft utility rate study has recently been completed in March 2014 by the Rural Community Assistance Corporation.
- A comprehensive annual financial report is completed on an annual basis as required by the State.
- The District's financial trends and condition, overall, are excellent. According to the utility rate analysis:
  - The District's current ratio is 15.7 (goal is >1);
  - The District has adequate cash on hand to fund operating reserves and debt service reserves (under most of the alternatives) in advance if the District chose to do so;
  - Based on the Statement of Financial Position, the District has no debt beyond their immediate accounts payable;
  - The District's operating ratio is 2.84 (goal is >1);
  - The District, at the end of FY 2012-13, had cash and cash equivalents amounting to \$331,865 or 145% of annual operating expenses;
  - Over the 5-years from FY 2008-09 to FY 2012-13, the cash and cash equivalents have remained relatively constant varying from a low of \$293,102 to a high of \$342,817; and
  - The District's reserves exceed by \$86,048, or 34%, the amount recommended by the Rural Community Assistance Corporation in the utility rate study.
- Regular, ongoing financial reports are provided to the District Board.
- The District Board adopts an annual operating budget.
- The District has developed a web site. This web site includes information about:
  - The District (e.g., mission statement, what services the District provides, etc.);
  - The District's strategic plan;
  - The District's comprehensive annual financial reports;
  - The District's FY 2014-15 annual operating budget;

- The Board agenda, meeting packets, and minutes;
  - The names of the District's Board, General Manager, and contract plant operator;
  - The District's Sewer System Management Plan; and
  - The date of the next Board meeting.
- Members of the Board have completed ethics training.
  - The District conducted CCTV inspections of approximately 90% of the District's wastewater collection system in two separate instances: once in February 2008 and another in December 2002.
  - The District repaired (patched) 9 listed manholes and lift station and repaired two line breaks at manhole 19 and manhole 32. This was part of the Improvement Project Phase #1. The CCTV inspection in 2008 noted and repaired manhole 19, 5 laterals with water flowing, and 3 offset joints.
  - The District did not report any sewer main breaks, main backups, or sanitary sewer overflows in FY 2013-14.
  - The contract treatment plant operator makes weekly inspections of the District's treatment plant and the lift station to ensure effective operation, in compliance with Regional Water Quality Control Board requirements. These weekly inspections are documented in a weekly log.

These strengths provide a sound basis for the improvement of the District.

#### **4. SUMMARY OF RECOMMENDATIONS CONTAINED WITHIN THE MANAGEMENT STUDY**

There are a number of themes within the management study that pertain to improving the operations and management of the District. These themes are presented below.

**(1) Clarify the roles and responsibilities of the Board of Directors and the General Manager.** There are two recommendations regarding Board and General Manager roles and responsibilities. These recommendations are presented below.

- The Board of Directors should review the proposed overall roles and responsibilities for the Board of Directors, as contained within this report, revise them as necessary, adopt them as a District policy and procedure, and publish these tenets to the District's web site.

- The Board of Directors should review the proposed overall roles and responsibilities for the General Manager, revise them as necessary, and adopt them as a District policy and procedure that defines the overall role of the General Manager, and include these tenets in any contract between the District and the General Manager.

**(2) Improve the financial management of the District.** There are a number of recommendations that focus on improving the financial management of the District. A summary of the recommendations is presented below.

- The Finance Committee should develop a five-year financial plan that evaluates the District's current and projected financial condition for the consideration of the Board of Directors.
- The Finance Committee should develop a five-year capital improvement program budget for the consideration of the Board of Directors. This five-year capital improvement program budget should be developed based upon consultation with the District's contract wastewater treatment plant operator.
- The Board of Directors should outsource its financial bookkeeping including responsibilities to prepare financial reports, exhibits, and schedules in accordance with Government Accounting Standards Board.
- The District should develop and adopt financial policies and procedures. Initially, these policies and procedures should focus on the financial reserves to be maintained by the District, revenue, budgeting and asset management, debt issuance and management, and investments.
- The District should include funding in its operating budget for cleaning and CCTV inspection of its wastewater collection system on an annual basis.
- The Tomales Village Community Services District should eliminate the Shoreline Unified School District depreciation charge.
- The Tomales Village Community Services District should rationalize the sewer service charges paid by the Shoreline Unified School District based upon actual effluent flow from the Shoreline Unified School District.

**(3) Improve the management of the maintenance, renewal, and rehabilitation of the District's assets.** There are a number of recommendations that focus on improving the maintenance, renewal, and rehabilitation of the District's assets. A summary of the recommendations is presented below.

- The District should initiate cleaning of its wastewater collection mains on a cycle of three to five years. If initial results are favorable, the frequency could be lengthened.

- The District should initiate CCTV inspection of its wastewater collection mains once every twelve years. The cleaning and CCTV inspection of wastewater collection mains will need to be coordinated, with service delivery by the same contractor.
- The District should **not** slipline wastewater collection mains, unless the CCTV inspection indicates that such sliplining is warranted.
- Sewer manholes should be formally inspected with formal written evaluations of their condition once every three to five years, and grouted, as necessary, to address infiltration and inflow.
- The maintenance log for the lift station and the treatment plant should be revised to include maintenance practices contained in the the District's operations and maintenance manual (e.g., pumping and cleaning out the wet well, inspection of the pump impeller, inspection of check valves, cleaning of float valves, etc.). The District's contract plant operator should be expected, as part of their contract, to conform to these maintenance practices.
- The District should have a playground inspection conducted for its park on an annual basis by a Certified Playground Safety Inspector. Any deficiencies found should be promptly corrected.

**(4) Reduce the operating costs of the District.** The District should reduce the extent of hours budgeted for the General Manager for fiscal year 2015-16 to no more than 16 hours a week. That reduction must be accompanied by the outsourcing of bookkeeping for the District. In addition, the District should seek to partner with other sanitary districts or cities in the establishing its contracts for bookkeeping, maintenance and operations of its assets, etc. The District is too small to obtain cost-effective unit prices for these services.

**(5) Long-Term Strategic Planning.** There are a number of recommendations that focus on improving the long-term strategic planning for the District. A summary of the recommendations is presented below.

- The strategic plan for the District plan is now four years old. It is time to initiate an update of the plan.
- However, before that update begins, the Board of Directors should direct the General Manager to prepare a report regarding the status of the implementation of the strategic plan. It is clear that some elements of the strategic plan have not been accomplished (e.g., address and resolve legal structure of TVCSD).

## **5. SUMMARY OF RECOMMENDATIONS**

The table following this page summarizes the improvement opportunities identified by the Matrix Consulting Group in the management study of the District. The chapters within this report should be read for a detailed discussion and analysis of each recommendation.

Before the District begins implementing the recommendations within this assessment, we suggest that it take the following actions:

**Recommendation #1: The organizational assessment of the District should be distributed to the Finance Committee for review and input.**

**Recommendation #2: The Finance Committee should review the proposed plan of implementation and the summary of recommendations contained in this report, modify the plan of implementation as appropriate, and submit the revised plan of implementation to the Board of Directors. This should include the responsibility and the timing for implementation of each recommendation.**

**Recommendation #3: After acceptance of the report and the implementation plan by the Board of Directors, the Board of Directors should commence implementation of the modified plan of implementation.**

**Recommendation #4: The Finance Committee should monitor implementation of the modified plan of implementation, and report results to the Board of Directors on a semi-annual basis.**

## Summary of Recommendations

Rec. #	Recommendation	Page #
1	The organizational assessment of the District should be distributed to the Finance Committee for review and input.	7
2	The Finance Committee should review the proposed plan of implementation and the summary of recommendations contained in this report, modify the plan of implementation as appropriate, and submit the revised plan of implementation to the Board of Directors. This should include the responsibility and the timing for implementation of each recommendation.	7
3	After acceptance of the report and the implementation plan by the Board of Directors, the Board of Directors should commence implementation of the modified plan of implementation.	7
4	The Finance Committee should monitor implementation of the modified plan of implementation, and report results to the Board of Directors on a semi-annual basis.	7
5	The Board of Directors should review the proposed overall roles and responsibilities for the General Manager, revise them as necessary, and adopt them as a District policy and procedure that defines the overall role of the General Manager, and include these tenets in any contract between the District and the General Manager.	38
6	The Board of Directors should review the proposed overall roles and responsibilities for the Board of Directors, revise them as necessary, adopt them as a District policy and procedure, and publish these tenets to the District's web site.	41
7	The District should expand the material published to its web site to include the terms of office for the members of the Board; election procedures and deadlines; Board meeting schedule (the specific dates for the fiscal year); Authorizing statute / enabling act for the District; and the most recent LAFCO municipal service review.	42
8	The Board of Directors should complete the four modules of the Special District Leadership Academy series provided by the California Special District Association.	43
9	The District should expand the material published to its web site to include the terms of office for the members of the Board; election procedures and deadlines; Board meeting schedule (the specific dates for the fiscal year); Authorizing statute / enabling act for the District; and the most recent LAFCO municipal service review.	44
10	The District should continue to utilize the Park and the Finance Advisory Committees.	45
11	The Finance Committee should develop a five-year capital improvement program budget for the consideration of the Board of Directors. This five-year capital improvement program budget should be developed based upon consultation with the District's contract wastewater treatment plant operator.	49
12	The Board of Directors should outsource its financial bookkeeping including responsibilities to prepare financial reports, exhibits, and schedules in accordance with Government Accounting Standards Board.	51
13	The request for proposal issued by the District for financial bookkeeping should be modified to remove those bookkeeping services that are atypical such as acting as the District Treasurer, researching and advising the Board on deposit institutions and investment opportunities, executing District loan and investment polices approved by the Board of Directors, etc.	51

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<b>Rec. #</b>	<b>Recommendation</b>	<b>Page #</b>
14	The District should develop and adopt financial policies and procedures. Initially, these policies and procedures should focus on the financial reserves to be maintained by the District.	52
15	The District should adopt other financial policies including policies regarding revenue, budgeting and asset management, debt issuance and management, and investments.	52
16	The financial policies proposed within the management study should be reviewed by the Finance Committee and, after consideration, modified as necessary, brought to the Board of Directors for its consideration and adoption.	52
17	The Finance Committee should develop a five-year financial plan that evaluates the District's current and projected financial condition.	54
18	The Finance Committee should update the five-year financial plan on an annual basis.	54
19	The five-year financial plan should be prepared prior to annual budget deliberations by the Board of Directors.	54
20	The Finance Committee should present the five-year financial plan to the Board of Directors for its review and consideration on an annual basis.	54
21	The Tomales Village Community Services District should eliminate the Shoreline Unified School District depreciation charge.	59
22	: The Tomales Village Community Services District should rationalize the sewer service charges paid by the Shoreline Unified School District based upon actual effluent flow from the Shoreline Unified School District.	61
23	The Tomales Village Community Services District should work with the Shoreline Unified School District to collect actual effluent data during the school year and recess based upon sampling (and not twelve months); that actual effluent data should be used to establish equivalent demand units for the Shoreline Unified School District schools and school offices, and used to establish fact-based sewer service charges.	61
24	The District should include funding in its operating budget for cleaning and CCTV inspection of its wastewater collection system on an annual basis.	65
25	The District should initiate cleaning of its wastewater collection mains on a cycle of three to five years. If initial results are favorable, the frequency could be lengthened. The District should initiate CCTV inspection of its wastewater collection mains once every twelve years.	65
26	The District should seek to partner with other sanitary districts or cities in the establishing a contract for cleaning and CCTV inspection of its wastewater collection mains.	65
27	The cleaning and CCTV inspection of wastewater collection mains will need to be coordinated, with service delivery by the same contractor.	65
28	The District should not slipline wastewater collection mains unless the CCTV inspection indicates that such sliplining is warranted.	66
29	The District should not include funding for the systematic sliplining of wastewater collection mains in its five-year capital improvement program or its annual operating budget until CCTV inspection indicates that such sliplining is warranted.	66
30	The District should revise the maintenance log to comprehensively reflect the requirements of the District's operations and maintenance manual. The contract plant operator should be required to follow, utilize, and complete the revised maintenance log.	67
31	The District should work with the contract wastewater treatment plant operator to identify risks of system failure at the plant and its lift station, methods to mitigate those risks, and the costs of mitigation.	69

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<b>Rec. #</b>	<b>Recommendation</b>	<b>Page #</b>
32	The District should have a playground inspection conducted for its park on an annual basis by a Certified Playground Safety Inspector. Any deficiencies found should be promptly corrected.	69
33	The District should reduce the extent of hours budgeted for the General Manager for fiscal year 2015-16 to no more than 16 hours a week. That reduction must be accompanied by the outsourcing of bookkeeping for the District.	76
34	If the District wishes to enable the General Manager to obtain health insurance as part of the District's compensation, it should increase his salary, and not show health insurance as a line item in the budget.	76
35	The District should contact the Napa County Public Works Department to determine which firms have downloaded the County's Request for Proposal and contact these firms, provide these firms with the District's Request for Proposal for operation and maintenance of its wastewater treatment plant, and request that the firms submit proposals.	79
36	The District, in contacting these firms, should clearly state that it has issued the Request for Proposals <u>not</u> to cut costs, but because the District has contracted with Phillips and Associates for over five years without other competitive proposals during that time.	79
37	The District should issue an addendum to the Request for Proposals requesting proposers to indicate the frequency that the proposer would spend on site and the number of hours weekly that the proposer would spend on site operating and maintaining the wastewater treatment plant.	79
38	If the District expects the contractor responsible for operation and maintenance of the wastewater treatment plant to adhere to the Operations and Maintenance Manuals for the plant and lift station, the District should resolve the discrepancy between Section 5.3.3 and Section 5.3.5 of the Request for Proposals by issuing an addendum. The District should then work with the contractor after award of the contract to revise the maintenance logs to reflect the requirements of the Operations and Maintenance Manuals.	79
39	The strategic plan for the District plan is now four years old. It is time to initiate an update of the plan.	82
40	However, before that update begins, the Board of Directors should direct the General Manager to prepare a report regarding the status of the implementation of the strategic plan. It is clear that some elements of the strategic plan have not been accomplished (e.g., address and resolve legal structure of TVCSD).	82

## **2. PROFILE**

This chapter presents background information regarding the Tomales Village Community Services District. The chapter includes the following:

- The State Government Code provisions regarding the formation and operation of Community Services Districts;
- The organizational structure of the District;
- Revenue and expenditure trends for the District; and
- Service levels provided by the District.

The chapter opens with a description of the State Government Code provisions regarding the formation and operation of Community Services Districts.

### **1. THE CALIFORNIA GOVERNMENT CODE ENABLES THE FORMATION AND OPERATION OF COMMUNITY SERVICE DISTRICTS.**

In unincorporated areas of a county, basic services like water, sewer, law enforcement and fire protection are usually provided by the county. Because counties often consist of large and diverse geographical areas, providing a consistent and adequate service level across all areas can be difficult. Consequently, the Community Services District Law (Government Code) was created to provide an alternate method of providing services in unincorporated areas.

A summary of the law, as it pertains to the operation of a Community Services District, is presented below.

- A legislative body of five members known as the board of directors shall govern each district.
- The board of directors shall establish policies for the operation of the district. The board of directors shall provide for the implementation of those policies that are the responsibility of the district's general manager.
- The county treasurer shall serve as the treasurer of the district, and shall be the

- depository and have the custody of all of the district's money. If the board of directors designates an alternative depository pursuant to Section 61053, the board of directors shall appoint a district treasurer who shall serve in place of the county treasurer.
- The board of directors may appoint the same person to be the general manager and the district treasurer.
  - The board of directors shall set the compensation, if any, for the general manager and the district treasurer, if any.
  - The general manager shall be responsible for all of the following:
    - The implementation of the policies established by the board of directors for the operation of the district;
    - The appointment, supervision, discipline, and dismissal of the district's employees, consistent with the employee relations system established by the board of directors;
    - The supervision of the district's facilities and services; and
    - The supervision of the district's finances.
  - All claims against a district shall be audited, allowed, and paid by the board of directors by warrants drawn on the county treasurer.
  - A district shall have and may exercise all rights and powers, expressed and implied, necessary to carry out the purposes and intent of this division, including, but not limited to:
    - To adopt ordinances;
    - To adopt, by ordinance, and enforce rules and regulations for the administration, operation, and use and maintenance of the facilities and services;
    - To sue and be sued in its own name;
    - To acquire any real or personal property within or outside the district, by contract or otherwise, to hold, manage, occupy, dispose of, convey and encumber the property, and to create a leasehold interest in the property for the benefit of the district;
    - To appoint employees, to define their qualifications and duties, and to provide a schedule of compensation for performance of their duties;
    - To engage counsel and other professional services;
    - To enter into and perform all contracts;
    - To enter joint powers agreements pursuant to the Joint Exercise of Powers Act;
    - To provide training that will assist the members of the board of directors in the governance of the district; and

- To construct any works along, under, or across any street, road, or highway, subject to the consent of the governing body in charge, and along, under, or across any other property devoted to a public use.

There are approximately 3,300 special districts in the State. Special districts, which include community service districts, county service areas, cemetery districts, fire protection districts, etc., have most of the same basic powers as counties and cities. Special districts can sign contracts, employ workers, and acquire real property through purchase or eminent domain. Following constitutional limits, they can also issue bonds, impose special taxes, levy benefit assessments, and charge service fees. Like other governments, special districts can sue and be sued.

The Tomales Village Community Services District is a multi-function special district; it provides sewage collection and treatment services and also park services. The Tomales Village Community Services District is both an enterprise (sewage collection and treatment services) and non-enterprise (parks) district. The Tomales Village Community Services District is an independent district with its own governing board.

**2. THE TOMALES VILLAGE COMMUNITY SERVICES DISTRICT HAS AN ALL FUNDS FISCAL YEAR 2014-15 BUDGET OF \$259,107.**

The fiscal year 2014-15 budget of the Tomales Village Community Services District is presented in the exhibit following this page. Important points to note regarding the fiscal year 2014-15 all funds budget are presented following the exhibit.

**FY 2014-15 Operating Budget**

	Sewer	Parks				All Funds
		Measure A Restricted - Parks	Restricted - Parks	Unrestricted Parks	Total Parks	
<b>INCOME</b>						
Service Charge - Monthly	\$1,512.00	\$-	\$-	\$-	\$-	\$1,512.00
Service Charge - Annual Fees	\$756.00	\$-	\$-	\$-	\$-	\$756.00
Service Charges - SUSD Solar	\$6,120.00	\$-	\$-	\$-	\$-	\$6,120.00
Service Charges - SUSD Sewer	\$62,798.00	\$-	\$-	\$-	\$-	\$62,798.00
Service Charges - County Solar	\$7,680.00	\$-	\$-	\$-	\$-	\$7,680.00
Service Charges - County Sewer	\$96,000.00	\$-	\$-	\$-	\$-	\$96,000.00
Capital Improvement Component	\$17,234.00	\$-	\$-	\$-	\$-	\$17,234.00
SUSD Sinking Fund Revenue	\$6,241.00	\$-	\$-	\$-	\$-	\$6,241.00
Interest Revenues	\$1,584.00	\$-	\$-	\$-	\$-	\$1,584.00
Intergovernmental Revenues - 315.50 - Levy 4	\$9,388.23	\$-	\$-	\$-	\$-	\$9,388.23
Intergovernmental Revenues - Measure A Prior Year Carryover	\$-	\$7,505.00	\$-	\$-	\$7,505.00	\$7,505.00
Intergovernmental Revenues - Measure A Funds	\$-	\$26,800.00	\$-	\$2,500.00	\$29,300.00	\$29,300.00
CSI Solar Rebate	\$14,400.00	\$-	\$-	\$-	\$-	\$14,400.00
Other Non-Operating Revenue - Transfer In	\$10,000.00	\$-	\$-	\$-	\$-	\$10,000.00
Contributions - Income Restricted Prior Year Carryover	\$-	\$-	\$5,000.00	\$-	\$5,000.00	\$5,000.00
Contributions - Income Restricted Other	\$-	\$-	\$1,000.00	\$-	\$1,000.00	\$1,000.00
Park Use Rental	\$-	\$-	\$-	\$450.00	\$450.00	\$450.00
Water Tower PG & E	\$-	\$-	\$-	\$840.00	\$840.00	\$840.00
Grants - Board of Supervisors	\$-	\$-	\$15,000.00	\$-	\$15,000.00	\$15,000.00
Grants - Dean Witter Foundation	\$-	\$-	\$10,000.00	\$-	\$10,000.00	\$10,000.00
<b>TOTAL</b>	<b>\$233,713.23</b>	<b>\$34,305.00</b>	<b>\$31,000.00</b>	<b>\$3,790.00</b>	<b>\$69,095.00</b>	<b>\$302,808.23</b>

	Sewer	Parks				All Funds
		Measure A Restricted - Parks	Restricted - Parks	Unrestricted Parks	Total Parks	
<b>EXPENSE</b>						
Sewage Collection	\$385.80	\$-	\$-	\$-	\$-	\$385.80
Sewage Treatment	\$1,732.95	\$-	\$-	\$-	\$-	\$1,732.95
Sewage Disposal	\$313.60	\$-	\$-	\$-	\$-	\$313.60
Administrator's Fees	\$81,048.00	\$-	\$-	\$-	\$-	\$81,048.00
Licenses and Permits	\$1,300.00	\$-	\$-	\$-	\$-	\$1,300.00
Property and Liability Insurance	\$5,329.33	\$-	\$-	\$-	\$-	\$5,329.33
Workers Compensation Insurance	\$704.00	\$-	\$-	\$-	\$-	\$704.00
Health Insurance Allowance	\$4,800.00	\$-	\$-	\$-	\$-	\$4,800.00
Postage and Delivery	\$180.00	\$-	\$-	\$-	\$-	\$180.00
Printing and Copies	\$180.00	\$-	\$-	\$-	\$-	\$180.00
Office Expense	\$-	\$-	\$-	\$150.00	\$-	\$-
Office Supplies	\$300.00	\$-	\$-	\$-	\$-	\$300.00
Sonic - Web Hosting	\$239.40	\$-	\$-	\$-	\$-	\$239.40
Board Meeting Expense	\$1,068.00	\$-	\$-	\$-	\$-	\$1,068.00
Contractual Services	\$63,734.00	\$-	\$-	\$-	\$-	\$63,734.00
Legal Fees	\$5,000.00	\$-	\$-	\$-	\$-	\$5,000.00
Accounting	\$4,500.00	\$-	\$-	\$-	\$-	\$4,500.00
Consulting	\$10,000.00	\$-	\$-	\$-	\$-	\$10,000.00
Newsletter Expense	\$210.00	\$-	\$-	\$-	\$-	\$210.00
Publication and Notices Other	\$300.00	\$-	\$-	\$-	\$-	\$300.00
Dues and Subscriptions	\$1,470.00	\$-	\$-	\$-	\$-	\$1,470.00
Solar Lease Agreement	\$17,941.18	\$-	\$-	\$-	\$-	\$17,941.18
Solar Lease Administration Fee	\$750.00	\$-	\$-	\$-	\$-	\$750.00
Irrigation Field Maintenance	\$1,250.00	\$-	\$-	\$-	\$-	\$1,250.00
Plant and Building Maintenance	\$250.00	\$-	\$-	\$-	\$-	\$250.00

	Sewer	Parks			Total Parks	All Funds
		Measure A Restricted - Parks	Restricted - Parks	Unrestricted Parks		
<b>EXPENSE (Cont'd)</b>						
Park Maintenance	\$-	\$-	\$-	\$978.00	\$978.00	\$978.00
Computer Repairs	\$250.00	\$-	\$-	\$-	\$-	\$250.00
Equipment Repairs	\$2,000.00	\$-	\$-	\$-	\$-	\$2,000.00
PG & E Park	\$-	\$-	\$-	\$1,320.00	\$1,320.00	\$1,320.00
Measure A Project Expenses	\$-	\$31,800.00	\$9,900.00	\$-	\$41,700.00	\$41,700.00
Travel	\$720.00	\$-	\$-	\$-	\$-	\$720.00
Meetings and Seminars	\$2,000.00	\$-	\$-	\$-	\$-	\$2,000.00
Telephone and Internet Service	\$1,116.50	\$-	\$-	\$-	\$-	\$1,116.50
LAFCO Charges	\$104.00	\$-	\$-	\$-	\$-	\$104.00
Interest Payment - SRF Loan	\$5,782.38	\$-	\$-	\$-	\$-	\$5,782.38
<b>TOTAL</b>	<b>\$214,959.14</b>	<b>\$31,800.00</b>	<b>\$9,900.00</b>	<b>\$2,448.00</b>	<b>\$44,148.00</b>	<b>\$259,107.14</b>
<b>Net Ordinary Income</b>	<b>\$18,754.09</b>	<b>\$2,505.00</b>	<b>\$21,100.00</b>	<b>\$1,342.00</b>	<b>\$24,947.00</b>	<b>\$43,701.09</b>

- The District is budgeted for \$302,808 in all funds income in fiscal year 2014-15, with 77% of that income generated by the sewer enterprise fund and 23% generated by the parks funds. Of the all funds income budgeted for the District in fiscal year 2014-15:
  - Almost 58% of the income consists of service charges including County sewer (31.7%), SUSD sewer (20.7%), County solar (2.5%), SUSD solar (2%), and service charge monthly and annual fees (0.7%);
  - Almost 6% (5.7%) of the income consists of the capital improvement component;
  - A little more than 12% (12.2%) of the income consists of Intergovernmental Revenues - Measure A Funds;
  - Almost 5% (4.8%) of the income consists of CSI Solar Rebate; and
  - 5% of the income consists of Grants - Board of Supervisors,

Altogether, these five sources comprise 85% of the total all funds income for the District.

- The District is budgeted for \$259,107 in all funds expenses in fiscal year 2014-15, with 83% of those expenses incurred by the sewer enterprise fund and 17% generated by the parks funds. Of the all funds expenses budgeted for the District in fiscal year 2014-15:
  - A little more than 33% (33.1%) of the expenses consist of the Administrator's (General Manager) fees including the health insurance allowance;
  - Almost 25% (24.6%) of the of the expenses consist of the contractual services for the operation and maintenance of the District's sewer treatment plant;
  - A little more than 16% (16.1%) of the expenses consist of Measure A Project Expenses; and
  - Almost 7% (6.9%) of the expenses consist of the Solar Lease Agreement.

Altogether, these four sources comprise 81% of the total all funds expenses for the District.

The District's all funds fiscal year 2014-15 budget is projected to generate net ordinary income of \$43,701 with 43% (or \$18,754) generated by the sewer fund and the balance by the park funds.

**3. THE DISTRICT IS A SMALL COMMUNITY SERVICES DISTRICT WITH A SMALL AMOUNT OF INFRASTRUCTURE TO OPERATE AND MAINTAIN.**

The *State Water Resources Control Board* conducts periodic wastewater user charge surveys. The most recent survey was conducted in fiscal year 2012-13. A total of 759 surveys were mailed to public agencies (cities, sanitary districts, public utility districts, community service districts, water districts, county special districts, etc.) that provide some form of wastewater service and that own and/or operate wastewater facilities. A total of 422 surveys were returned.

Of the 415 agencies that indicated the population served, the average population served was 92,743, while the median was 12,000. In comparison, the Tomales Village Community Services District serves a population of approximately 200. Of the 376 agencies that indicated their average daily wastewater flow, the average was 9.34 million gallons a day, while the median was 1.1 million gallons a day. The Tomales Village Community Services District indicated that it had an average daily flow of 0.2 million gallons a day.

The District's sewer collection and biological treatment system was designed and built in 1976. Relatively, this is a "young" system. The collection system is summarized in the table below.

Type of Main	Linear Feet of Main
6 inch gravity main	2,605
8 inch gravity main	9,294
2 inch force main	723
<b>Total Linear Feet</b>	<b>12,622</b>

In addition, the District has 42 manholes, 1,902 4-inch service laterals, and one lift station.

The treatment facility consists of a three pond biological treatment, secondary treatment system. The design is based upon an aerated pond facility in which wastewater is treated in a basin on a flow-through basis. Oxygen is supplied by means of surface aerators. The aerators are selected to provide an adequate supply of oxygen to the wastewater. The result is an aerobic lagoon. The third pond is a polishing pond providing a cleaner effluent than the two other ponds.

The effluent disposal facilities consist of two effluent storage ponds and a 23-acre irrigation field. The purpose of the storage ponds is to provide a quiescent place where suspended solids can settle out of the effluent. The storage pond provides a place to store effluent during the winter months when irrigation is impractical. The total capacity of the storage pond is based upon the storage of the design flows for a period of 180 days.

Chlorination equipment is located in the Chlorination Building at the Irrigation Field site. The purpose of the chlorination facilities is to adequately disinfect the effluent prior to discharge.

The District is also responsible for the maintenance of a community park. This park was built in 1982.

Overall, the District has constructed a small, easy to maintain and operate collection and treatment system.

#### **4. THE DISTRICT IS IN AN EXCELLENT FINANCIAL POSITION.**

The Tomales Village Community Services District retained the Rural Community Assistance Corporation (RCAC) to complete a financial analysis, including Capital Improvement Planning recommendations, and an evaluation of current wastewater user rates. The rate analysis by RCAC was derived using financial data and future capital improvement needs provided by the District.

The RCAC evaluated the financial condition of the District. The results generated indicate that the District is in an excellent financial position as discussed below.

- **The District's Current Ratio is excellent.** The Current Ratio compares assets expected to be available as cash within the year with current liabilities (those that will become due within the next 12 months). The ratio is mainly used to give an idea of the District's ability to pay back its short-term liabilities debt and payables with its short-term assets (cash, inventory, receivables). The higher the current ratio, the more capable the company is of paying its obligations. A ratio under 1 suggests that the District would be unable to pay off its obligations if they came due at that point. The Current Ratio is calculated by dividing the current assets by the current liabilities. The RCAC calculated the Current Ratio for the District as 15.7.
- **The District's Quick Ratio is excellent.** The Quick Ratio, sometimes called the acid test ratio, is similar to the Current Ratio, but is considered a more reliable indicator of the District's ability to meet its short-term financial obligations with its most liquid assets. The quick ratio is more conservative than the current ratio, a better known liquidity measure, because it excludes inventory from current assets. The higher the quick ratio is, the better the position of the District. A quick ratio of 1 to 1 means the District has a dollar's worth of easily convertible assets for each dollar of its current liabilities. Though acceptable ratios can vary from industry to industry, a ratio of 1 to 1 is generally acceptable to most creditors. The Quick Ratio is determined by subtracting the inventories from the current assets, and dividing the result by the current liabilities. The RCAC calculated the Quick Ratio for the District as 15.7.
- **The District's Operating Ratio is excellent.** The operating ratio measures the amount of operating revenue versus the total amount of operating expenses for a utility system. The minimum standard for an operating ratio for the District should be 1.0, meaning there is enough operating revenue to cover operating expenses. A financially healthy District needs to maintain an ongoing operating ratio greater than 1; a ratio of less than 1 indicates there is insufficient revenue to meet

current expenses. For example, if the District had an operating ratio of 0.75, this would mean the District's revenue was 75% of expenses, or in other words, the District could only cover 3/4 of its expenses. The Operating Ratio is calculated by dividing total operating income and operating reserves by the total operating costs (no debt). The RCAC calculated the District's Operating Ratio as 2.84.

- **The District's reserves exceed the recommendations of RCAC.** The RCAC evaluated the District's reserves. It noted that Reserves are an accepted way to stabilize and support a utility's financial management. Small systems usually fund the operating expenses but don't often consider putting money aside for a specific upcoming financial need or project, or for an amount that can be used to provide rate stabilization in years when revenues are unusually low or expenditures are unusually high. The rationale for maintaining adequate reserve levels is two-fold. First, it helps to assure that the utility will have adequate funds available to meet its financial obligations in times of varying needs. Secondly, it provides a framework around which financial decisions can be made to determine when reserve balances are inadequate or excessive and what specific actions need to be taken to remedy the situation. The RCAC recommended four types of reserves for the District as noted below.
  - Operating Reserves. Operating reserves are established to provide the utility with the ability to withstand short-term cash-flow fluctuations. There can be a significant length of time between when a system provides a service and when a customer pays for that service. In addition, a system's cash flow can be affected by weather and seasonal demand patterns. A 45-day operating reserve is a frequently used industry norm. Because of potential delays in collecting payment many utilities attempt to keep an amount of cash equal to at least 45 days or one-eighth of their annual cash operating and maintenance expenses in an operating reserve to mitigate potential cash flow problems.
  - Emergency Reserves. Emergency reserves are an important tool for financial sustainability. Emergency reserves are intended to help utilities deal with short-term emergencies that arise from time to time such as main breaks or pump failures. The appropriate amount of emergency reserves will vary greatly with the size of the utilities and should depend on major infrastructure assets. An emergency reserve is intended to fund the immediate replacement or reconstruction of the system's single most critical asset: an asset whose failure will result in an immediate wastewater system failure or threat to public safety.
  - Capital Improvement Reserve. A capital improvement reserve (also called a repair and replacement reserve) is intended for replacing system assets that have become worn out or obsolete. Annual depreciation is frequently used to estimate the minimum level of funding for this capital reserve. But it is important to understand that depreciation expense is an accounting

concept for estimating the decline in useful life of an asset and does not represent the current replacement cost of that asset. To initiate a capital improvement plan (CIP), a utility will start with a list of assets that includes the remaining service life, theoretical replacement costs in today's dollars and the remaining service life. It then calculates the monthly and annual reserve that must be collected from each customer to fully capitalize the replacement cost of each asset. In reality, the assets will fail and be replaced gradually, but the replacement cost of utility assets is often a shock to small systems that are struggling to keep rates reasonable. One alternative method is to set-aside an annual amount equal to one to two percent of the total original cost asset value of the utility's property. The RCAC, in evaluating an appropriate amount of reserves for capital improvement, assumes that capital reserve funds will be used to fund the small projects (years 1 through 5) in the draft capital improvement program in their analysis through 2019 and 80% for all projects thereafter (subsequent years).

- Debt Service Reserve. Utilities that have issued debt to pay for capital assets will often have required reserves that are specifically defined to meet the legal covenants of the debt. Normally, debt service reserve represents an amount equal to one full annual loan payment and can be accumulated to this level over a period of five to ten years.

The RCAC then presented a table that contained recommended and actual reserves for the District. That table is presented below.

Type of Reserve	Recommended	Actual	Difference
Debt Service Reserve (SRF)	\$47,775	\$47,755	-\$20
Capital Improvement Plan (CIP) Reserve	\$39,801	\$18,870	-\$20,931
Emergency Reserve	\$33,982	\$33,982	\$0
Operating Reserve	\$96,318	\$35,417	-\$60,901
Restricted Reserves (Solar)	\$28,100	\$28,100	\$0
Unrestricted Reserve (Cash)	\$0	\$167,900	\$167,900
<b>Total Target Reserves</b>	<b>\$245,976</b>	<b>\$332,024</b>	<b>\$86,048</b>

As the table indicates, the District had \$86,048 more in reserves than that recommended by RCAC.

Overall, the District is in an excellent financial position at the present time. However, the District also has a number of service level challenges.

**5. THE DISTRICT RELIES ON CONTRACTORS TO MANAGE, MAINTAIN, AND OPERATE ITS COLLECTION AND TREATMENT SYSTEM.**

The Tomales Village Community Services District does not have any full-time employees (nor should it). It relies on two contractors – KD Consulting and Phillips Associates – to manager, maintain, and operate its collection and treatment plant. These two contractors account for 58% of the all funds expenses for fiscal year 2014 – 15.

The duties of the 5-member Board of Directors for the Tomales Village Community Services District are legislative: the Board formulates and adopts policy for the operation of the District. The responsibilities of the Board include, but are not limited to, the following:

- Maintaining an effective Board by establishing Board operating policies that delineate rules of conduct for Board meetings, provide for orientation of new Directors, determine what information should be prepared and presented to the Board, etc.;
- Setting policy direction for the District by enacting ordinances and resolutions, setting policies, and developing annual Board goals to provide direction for the District;
- Establishing goals, objectives, and action plans for the District;
- Monitoring finances and long-range financial planning for the District by reviewing and approve a budget annually, reviewing financial statements, overseeing the annual financial audit, reviewing long-range financial plans, etc.;
- Establishing policies and procedures covering all contractors including hiring of contractors for operation and maintenance of the treatment plant, the General Manager, etc.;
- Maintaining positive and productive working relationships with the Tomales Village community, the Shoreline Unified School District, Marin County government, and the Regional Water Quality Control Board, etc.; and
- Protecting, preserving, and enhancing the assets and infrastructure owned by the District.

The responsibility of KD Consulting, an independent contractor, is as the General Manager for the District. The overall responsibilities of the General Manager are specified within the contract between KD Consulting and the District, and are summarized below.

- Office management including, but not limited to:
  - Receive, date and process all incoming mail, correspondence and plans, and process all outgoing mail;
  - Draft letters from the Board and from the General Manager to carry out the District business;
  - Coordinate and post monthly meeting agendas in accordance with the by-laws;
  - Develop an information packet for the Board’s monthly meeting and for any special meetings with packets to consist of reports covering all agenda items and current correspondence;
  - Secure and maintain low cost insurance policies for the District that provides sufficient coverage;
  - Attend Board meetings and membership meetings and take minutes in a manner reflective of current minutes protocol; and
  - Maintain a Minutes Book, Resolution Book and District Agenda Binder.
- Financial management including, but not limited to:
  - Prepare monthly bills for payment and arrange billing schedule to coincide with Board meetings for approval and payment in a timely manner;
  - Prepare monthly financial reports and submit monthly to Board including Balance Sheet, Profit and Loss Statement, Aged Receivables, Aged Payables and Trial Balance;
  - Gather backup information and propose annual budget; and
  - Work with Marin County on tax collection, payment, delinquency and new hook-ups and advise the Board.
- Sewer system including, but not limited to:

- Oversee the contract with Phillips Associates;
  - Devise and maintain the work order system;
  - See that the sewer maintenance schedule is developed and working effectively; and
  - Oversee all sewer improvement projects.
- Parks including, but not limited to:
    - Inspect park facilities monthly, directing maintenance as needed;
    - Work with 4-H, the maintenance person and volunteers; and
    - Oversee all park improvement projects.

The General Manager conducts the day-to-day management of the District, working as an independent contractor directly for the Board of Directors, who set policy.

**6. THE DISTRICT'S SEWER USER CHARGES ARE HIGHER THAN THE MEDIAN OF OTHER DISTRICTS THAT SERVE A POPULATION MORE THAN 200 BUT LESS THAN 1,000 THAT ALSO PROVIDE NOT LESS THAN SECONDARY TREATMENT.**

The *State Water Resources Control Board* conducts periodic wastewater user charge surveys. The most recent survey was conducted in fiscal year 2012-13. A total of 759 surveys were mailed to public agencies (cities, sanitary districts, public utility districts, community service districts, water districts, county special districts, etc.) that provide some form of wastewater service and that own and/or operate wastewater facilities. A total of 422 surveys were returned.

A total of forty-nine agencies serve a population of 200 to 1,000. A comparison of the District's monthly service charge to these other forty-nine other agencies that serve a population of 200 to 1,000 is presented in the table below.

**TOMALES VILLAGE COMMUNITY SERVICES DISTRICT**  
**Management Study of the Tomales Village Community Services District**

Comparative Measure	Monthly Service Charge	TVCS D Monthly Service Charge in Comparison
Average Monthly Service Charge	\$60.99	3.3%
Median Monthly Service Charge	\$44.25	42.4%
25th Percentile Monthly Service Charge	\$29.00	117.2%
75th Percentile Monthly Service Charge	\$58.00	8.6%

In comparison to these forty-nine agencies, the District’s monthly service charge is:

- 3.3% higher than the average;
- 42.4% higher than the median;
- 117.2% higher than the 25<sup>th</sup> percentile; and
- 8.6% higher than the 75<sup>th</sup> percentile.

Overall, the District’s monthly service charge is in the upper quartile compared to the other forty-nine agencies that serve a population of 200 to 1,000. However, it is also important to note that twenty-two of these forty-nine agencies do **not** provide a sewer treatment process and eleven others only provide a primary treatment process or a primary treatment process with disinfection.

The remainder, sixteen agencies, provide secondary, secondary with disinfection, secondary with nutrient removal, tertiary, or tertiary with nutrient removal treatment processes. A comparison of the District’s monthly service charge to these other sixteen other agencies that serve a population of 200 to 1,000 is presented in the table below.

Comparative Measure	Monthly Service Charge	TVCS D Monthly Service Charge in Comparison
Average Monthly Service Charge	\$67.90	-7.2%
Median Monthly Service Charge	\$49.00	28.6%
25th Percentile Monthly Service Charge	\$34.65	81.8%
75th Percentile Monthly Service Charge	\$90.78	-30.6%

In comparison to these sixteen agencies, the District's monthly service charge is:

- 7.2% lower than the average;
- 28.6% higher than the median;
- 81.8% higher than the 25<sup>th</sup> percentile; and
- 30.6% lower than the 75<sup>th</sup> percentile.

Overall, the District's monthly service charge is in the third quartile compared to the other sixteen agencies that serve a population of 200 to 1,000 and provide not less than secondary treatment.

### **3. DIAGNOSTIC APPRAISAL**

This chapter summarizes the District's performance against a series of best management practices. These best management practices were developed and compiled by the Matrix Consulting Group from American Public Works Association *Public Works Management Practices Manual*; best practices promulgated by the Special District Leadership Foundation; benchmarking performance indicators for water and wastewater utilities developed by the American Water Works Association / Water Environment Federation; Core Attributes of Effectively Managed Wastewater Collection Systems developed by the National Association of Clean Water Agencies and the Water Environment Federation; and the experience of the Matrix Consulting Group.

#### **1. DISTRICT LEADERSHIP AND MANAGEMENT**

Effective leadership and management of the District is critical, particularly in the context of driving and inspiring improvement, and to provide resilient, day-to-day continuity and direction for the operation and management of the District. Effective leadership and management ensures that the District's direction is understood, embraced, and followed on an ongoing basis. Effective leadership and management communicates with the District's stakeholders and customers. Effective leadership and management reflects a commitment to service excellence, leading by example to establish and reinforce an organizational culture that embraces positive change and strives for continual improvement.<sup>1</sup>

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<sup>1</sup> Effective Utility Management: A Primer for Water and Wastewater Utilities; Association of Metropolitan Water Agencies, American Public Works Association, American Water Works Association, National Association of Clean Water Agencies, National Association of Water Companies, United States Environmental Protection Agency, and Water Environment Federation; 2008

The District has a number of positive aspects in its leadership and management.

These positive aspects are noted below.

- The District has developed some written policies and procedures
- The District developed a clearly written, multi-year strategic plan in 2011. The District has accomplished some of the action plans within the strategic plan (e.g., create Finance Committee).
- The District has adopted a vision and mission statement.
- The Board meeting of December 10, 2014 included a review of the Telstar computer proposal. The SCADA software and hardware are obsolete and need to be replaced / upgraded.
- A draft utility rate study has recently been completed in March 2014 by Rural Community Assistance Corporation.
- A comprehensive annual financial report is completed on an annual basis as required by the State.
- The District's financial trends and condition, overall, are excellent. According to the utility rate analysis:
  - The District's current ratio is 15.7 (goal is >1);
  - The District has adequate cash on hand to fund operating reserves and debt service reserves (under most of the alternatives) in advance if they choose to do so;
  - Based on the Statement of Financial Position, the District has no debt beyond their immediate accounts payable;
  - The District's operating ratio is 2.84 (goal is >1);
  - The District, at the end of FY 2012-13, had cash and cash equivalents amounting to \$331,865 or 145% of annual operating expenses;
  - Over the 5-years from FY 2008-09 to FY 2012-13, the cash and cash equivalents have remained relatively constant varying from a low of \$293,102 to a high of \$342,817;
  - The District's reserves exceed by \$86,048 or 34% the amount recommended by the Rural Community Assistance Corporation in the utility rate study.
- Regular, ongoing financial reports are provided to the District Board.
- The District Board adopts an annual operating budget
- The District has developed a web site. This web site includes information:

- About the District (e.g., mission statement, what services the District provides, etc.;
  - The District’s strategic plan;
  - The District’s comprehensive annual financial reports;
  - The District’s FY 2014-15 annual operating budget;
  - The Board agenda, meeting packets, and minutes.;
  - The names of the District’s Board, General Manager, and contract plant operators;
  - The District’s Sewer System Management Plan; and
  - The date of the next Board meeting.
- The District conducts a public hearing presenting the annual budget.
  - Members of the Board have completed ethics training
  - The Members of the Board comply with the Brown Act
  - The Board has adopted a formal written policy regarding handling Public Records Act requests.
  - The Board has adopted a formal written policy regarding conflict of interest.

There are, however, opportunities for improvement in the District’s leadership and management. These opportunities are noted below.

- While the District has developed some policies and procedures, these policies and procedures have not been published to the District’s web site.
- The policies and procedures are still a work in progress. Additional policies and procedures need to be developed and adopted by the Board.
- Financial operations policies and procedures within the District are not in place. The District lacks policies and procedures regarding financial reserves and other financial policies.
- The Board has not adopted a formal written policy regarding reimbursement of actual and necessary expenses.
- The District has not reported in writing, on an annual basis, the extent to which the action plans in the strategic plan have been accomplished.
- The District has not accomplished some of the action plans within the 2011 strategic plan. Specifically:

- There were 10 action items in year one, and according to the General Manager, only 5 of the 10 action items have been completed or 50%;
- There were 7 action items in year 2, and according to the General Manager, only 4 of the 7 action items have been completed.
- There were 3 action items in year 3, and according to the General Manager, 3 of the 3 action items have been completed.

According to the General Manager, only 12 of the 20 action items, or 60%, have been implemented four years after adoption of the strategic plan. Most of action items not yet adopted originate from year one.

- Goals, objectives, and performance measures have not been developed. These are **not** goals in a performance evaluation for the General Manager. These are goals, objectives, and performance measures for the District. For example, a goal would be “maintain and improve the District’s infrastructure in a cost effective manner to ensure sustainable delivery of reliable, high quality service now and in the future.” An objective would be to clean 20% of the District’s wastewater mains each year. The performance measure would be the % of wastewater mains actually cleaned on an annual basis. These goals, objectives, and performance measures belong in the District’s budget.
- The District has not developed a long-term information technology master plan (e.g., SCADA).
- The District’s annual operating budget does not include ongoing commitments, in some instances, such as CCTV inspection of wastewater collection systems, cleaning of the collection system, etc. There was no funding budgeted in fiscal year 2014-15 for preventive maintenance of the wastewater collection system such as CCTV inspection of wastewater collection systems, cleaning of the collection system, etc.
- The utility rate study developed by the Rural Community Assistance Corporation has not been finalized and adopted by the Board.
- Some of the assumptions contained within the utility rate analysis regarding capital improvements are questionable (e.g., sliplining the entire collection system in the short-term). In fact, the Board has not adopted any of the proposed capital projects contained in the RCAC study. As a consequence, the rate assumptions contained within the study do not reflect Board-adopted policy.
- Some of the recommendations contained within the utility rate study first require action by the Board (e.g., adoption of a policy and procedure regarding financial reserves).

- The operating and revenue rate assumptions regarding the Shoreline Unified School District (SUSD) have no basis in terms of actual system demand (e.g., SUSD pays 34% of District's operating costs per MOU).
- The District's monthly service charge is higher than the median of sixteen agencies in California that serve a population of 200 to 1,000, and that provide collection and secondary, secondary with disinfection, secondary with nutrient removal, tertiary, or tertiary with nutrient removal treatment processes.
- A long-term financial plan for the District has not been prepared and adopted by the Board.
- The District has not developed, and the Board has not adopted, a five-year capital improvement program budget.
- The District has not developed a Business Continuity Management Plan.
- The District's web site does not contain:
  - The terms of office for the members of the Board;
  - Election procedures and deadlines;
  - Board meeting schedule (the dates);
  - Authorizing statute / enabling act for the District; and
  - Most recent LAFCO municipal service review.
- The District did not publish a newsletter for the community regarding the activities of the District in 2014.
- The District does not utilize shared service delivery to reduce its costs.
- The responsibility for District management and financial management are not segregated.
- The District, which serves a community with a population of approximately 200 and provides two services – wastewater collection / treatment and park maintenance – employs a full-time General Manager.

## **2. DISTRICT MAINTENANCE AND OPERATIONS**

The District was formed in 1998 after being acquired from the North Marin Water District. The primary purpose of the District is to operate and manage the wastewater collection system / treatment plant and the park.

The District acquired its assets in 1998 from the North Marin Water District in an 'as-is condition' with several problem areas due to lack of preventive maintenance. The District embarked on a number of capital improvement projects to meet the standards promulgated by the Regional Water Quality Control Board. Phase one of the capital improvement projects involved the replacement and repair of some worn and aged wastewater collection mains and switching from chlorine gas to liquid chlorine at the wastewater treatment plant, the rehabilitation of the only lift station in the system, and a fully automated alarm and control system. The second phase enhanced the wastewater treatment process by removing 30 plus years of built-up sludge in the treatment pond, developing a three-stage ponding system and replacing the aerators and pumps.

The District has completed these improvements. These improvements generate a number of strengths in the District's maintenance and operations as noted below.

- Written records are available in various documents that detail the inventory of the District's assets.
- Condition assessments of the sewer mains have been conducted in the past several years.
- The Sewer System Management Plan includes a chain of communication of sanitary sewer overflows, and an overflow emergency response plan.
- The lift station includes two (2) small capacity grinder-sewage pumps. The duplex submersible pumps are each capable of handling peak flows. The second pump acts as a standby unit for the first.
- The District CCTV'd approximately 90% of the system in two separate instances: once in February 2008 and another in December 2002.
- The District repaired (patched) 9 listed manholes and lift station and repaired two line breaks at MH 19 and MH 32. This was part of the Improvement Project Phase #1. The CCTV inspection in 2008 noted and repaired MH 19, 5 laterals with water flowing, and 3 offset joints.

- The District has not reported any sewer main breaks, backups, or sanitary sewer overflows in FY 2013-14.
- The contract treatment plant operator makes weekly inspections of the plant and the lift station to ensure effective operation, in compliance with Regional Water Quality Control Board requirements. These weekly inspections are documented in a weekly log. The weekly inspection of the wastewater treatment plant includes clearing of plastics, checking the oil level, and ensuring that there are no unusual noises.

There are opportunities for improvement, however. These opportunities for improvement are presented below.

- A comprehensive inventory of the assets to be maintained, in a single document (in an electronic database) has not been developed.
- A comprehensive sanitary sewer collection system map has not been developed including asset information (installation date, material, size, and updated in an ongoing basis).
- Maintenance and rehabilitation strategies have not been proposed to and adopted by the Board (e.g., how often should the wastewater mains be CCTV'd).
- Funding for preventive maintenance and rehabilitation have not been provided in recent budgets such as fiscal year 2014-15. For example, there was no funding budgeted in fiscal year 2014-15 for preventive maintenance of the wastewater collection system such as CCTV inspection of wastewater collection systems, cleaning of the collection system, etc.
- An average of 1% to 2% of sewer mains are not sliplined annually (based upon the results of CCTV inspection of wastewater mains).
- Sewer manholes are not inspected and assessed once every three years, and grouted to address I / I.
- A CCTV program has not been utilized since 2008 – seven years - to document structural deficiencies. The results of the CCTV inspections have not been formally shared with the Board in a written staff report.
- Wastewater mains are not cleaned on a three-year to a five-year cycle.
- The maintenance log does not document appropriate maintenance practices (e.g., pumping and cleaning out the wet well, inspection of the pump impeller, inspection of check valves, cleaning of float valves, etc.).

- A comprehensive maintenance log has not been developed for the treatment plant. For example, for the comminutor, it does not include any frequency for checking the blades, sharpening the blades, and greasing.
- The playground equipment at the District's park is not inspected by a certified CPSI (Certified Playground Safety Inspector) on an annual basis.

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Recommendations to address these opportunities for improvement are presented in the next chapter.

## **4. ANALYSIS OF GOVERNANCE**

This chapter presents recommendations to improve the governance of the District. The District has an active Board of Directors. The District has established advisory committees to involve the Tomales Village community in the governance of the District. These are strengths.

The opportunities for improvement seek to clarify roles and responsibilities, enhance the transparency of governance, enhance the Board's know-how regarding governance of community service districts, and to continue the involvement of the Tomales Village community in the governance of the District.

### **1. THE BOARD OF DIRECTORS SHOULD CLARIFY THE ROLE OF THE GENERAL MANAGER IN A WRITTEN POLICY AND PROCEDURE.**

All too often, city managers and general managers that have served their organization for lengthy periods of time end up viewing themselves as a sixth council-member or a sixth board member, and trying to influence the policy decisions of their city or their community services district. This can, ultimately, lead to unproductive conflict between the city council and city manager or the board of directors and general manager.

While the Tomales Village Community Services District has defined the roles of the General Manager in a contract, it has done so in a specific task-based manner, without defining the overall role of the General Manager. The overall role should be clarified to ensure a positive working relationship between the Board and the General Manager.

The Board of Directors should develop and adopt a policy and procedure that defines the overall role of the General Manager, and this should be included in any

contract between the District and the General Manager. These tenets reflect the code of ethics for City Managers developed by the *International City Management Association*.

- The General Manager should be dedicated to the concepts of effective and democratic local government by the Board of Directors and believe that professional general management is essential to the achievement of this goal.
- The General Manager should affirm the dignity and worth of the services rendered by the District, maintain a constructive, creative, and practical attitude toward the District and its the Board of Directors, and maintain a deep sense of social responsibility as a trusted public servant
- The General Manager should be dedicated to the highest ideals of honor and integrity in all public and personal relationships in order that the General Manager may merit the respect and confidence of the Board of Directors, of other officials and employees, and of the public. The General Manager should conduct himself or herself so as to maintain public confidence in their profession, the District, and in their performance of the public trust.
- The General Manager should recognize that the chief function of the District at all times is to serve the best interests of the community it serves.
- The General Manager should submit policy proposals to the Board of Directors; provide them with facts and advice on matters of policy as a basis for making decisions and setting community goals; and uphold and implement policies adopted by the Board of Directors.
- The General Manager should recognize that the Board of Directors are entitled to the credit for the establishment of the policies of the District; responsibility for policy execution rests with the General Manager.
- The General Manager should refrain from all political activities that undermines public confidence in the General Manager. The General Manager should refrain from participation in the election of the Board of Directors.
- The General Manager should make it a duty continually to improve his / her professional ability and to develop the competence of the Board of Directors by continuously educating the Board of Directors in policy, financial, and operating management as it pertains to the services provided by the Tomales Village Community Services District.
- The General Manager should keep the Tomales Village community informed on District financial and operating affairs; encourage and facilitate communication between the community and the District; emphasize friendly and courteous

service to the community; and seek to improve the quality and image of the District with the community.

- The General Manager should resist any encroachment on his or her professional responsibilities; the General Manager should be free to implement Board-adopted policies without interference, and handle each problem without discrimination on the basis of principle and justice.
- The General Manager should view their office as a public trust. The General Manager shall not leverage his or her position for personal gain or benefit.

The Board of Directors should review the proposed overall roles and responsibilities of the General Manager, revise them as necessary, and adopt them as a District policy and procedure, and include these tenets in any contract between the District and the General Manager.

**Recommendation #5: The Board of Directors should review the proposed overall roles and responsibilities for the General Manager, revise them as necessary, and adopt them as a District policy and procedure that defines the overall role of the General Manager, and include these tenets in any contract between the District and the General Manager.**

**2. THE BOARD OF DIRECTORS SHOULD DEVELOP TENETS FOR ITS OWN EFFECTIVE WORKING RELATIONSHIP IN A WRITTEN POLICY AND PROCEDURE.**

Just as the Board needs to clarify the overall roles and responsibilities of the General Manager, so too the Board needs to clarify its own overall roles and responsibilities. The tenets provided below were developed by the North Carolina League of Municipalities, and were designed to clarify expectations for effective city councils.

- The Board of Directors sets direction for the Community Services District by:
  - Determining the District’s mission and purpose;
  - Setting future direction and policy — the General Manager is responsible for administrative functions and district operation;
  - Regularly engaging in strategy development; and

- Approving plans for the efficient and effective administration of District affairs
- The Board of Directors acts as a body by:
  - Focusing its discussion using clear and consistent rules of procedure, following a planned agenda and spending time on important topics;
  - Understanding its own and the District’s legal responsibilities;
  - Making sure all Board members have the same information with which to make decisions;
  - Working to master small-group decision making techniques; and
  - Respecting each other and abiding by the decisions of the Board.
- The Board of Directors serves its community well by;
  - Enhancing the District’s public image;
  - Providing residents with opportunities to respectfully comment on public issues;
  - Ensuring the success and viability of the community by convening and facilitating citizen engagement;
  - Making sure that District resources are adequate to serve the community and that resources are used for their intended purposes.
- The Board of Directors respects the role of the general manager as chief administrator for the district by
  - Channeling communications appropriately to the General Manager;
  - Depending upon the General Manager to respond to community concerns and complaints as fully and as expeditiously as practical;
  - Expecting the General Manager to make independent and objective recommendations;
  - Expecting the General Manager to support and advocate for adopted Board policy;
  - Respecting the General Manager and following appropriate protocols for interacting with the General Manager; and
  - Refraining from publicly criticizing the General Manager. Criticism is differentiated from questioning facts or the opinion of staff
- The Board of Directors is responsible for Board members behaviors by:
  - Abstaining from seeking political support from staff;
  - Submitting questions about District agenda items ahead of the meeting;
  - Providing each Board member an opportunity to influence and respectfully dissent in Board meetings
  - Focusing on issues, not personalities;

- Having the Board of Directors take responsibility for addressing inappropriate behavior among members of the Board themselves, and not delegating this responsibility to the General Manager; and
- Working as a team and holding themselves accountable to a common code of conduct.
- The Board of Directors gives the General Manager a chance to prove himself or herself by:
  - Recruiting, selecting and hiring the General Manager;
  - Promoting and encouraging a positive relationship between the Board and the General Manager;
  - Treating and respecting the General Manager as a professional; and
  - Recognizing the role of General Manager is to serve the Board of Directors as a whole.
- The Board of Directors freely gives and seeks feedback
  - Supporting the General Manager by providing clear direction and annually reviewing her or his performance;
  - Annually setting expectations for itself and assessing its own performance;
  - Inviting constructive feedback to improve its own performance; and
  - Regularly reviewing and monitoring the city's finances, programs and services.
- The Board of Directors works with the General Manager to be a high performing governing body by:
  - Looking to the General Manager to assist them in:
    - Clearly defining roles and relationships;
    - Thinking to the future and acting strategically on key issues;
    - Operating in a culture of values and ethics;
    - Regularly evaluating policy implementation by the General Manager;
    - Developing and following protocols for Board behavior and Board-General Manager relations;
    - Allocating time and energy appropriately;
    - Setting clear rules and procedures for Board meetings;
    - Getting regular assessments of community concerns and Board performance;
    - Recognizing the District's position in intergovernmental systems and in building productive partnerships (e.g., SUSD); and
    - Focusing on personal learning and developing as community leaders.

- Having the Chair of the Board of Directors and General Manager orient new members to the Board of Directors, providing expectations about how to be successful; and
- Working with the General Manager to behave in a manner that encourages community confidence in the Tomales Village Community Services District.

The Board of Directors should review this proposed overall roles and responsibilities of the Board, revise them as necessary, and adopt them as a District policy and procedure, and publish these tenets to the District's web site.

**Recommendation #6: The Board of Directors should review the proposed overall roles and responsibilities for the Board of Directors, revise them as necessary, adopt them as a District policy and procedure, and publish these tenets to the District's web site.**

**11. THE DISTRICT SHOULD EXPAND THE MATERIAL PUBLISHED TO ITS WEB SITE.**

The Special District Leadership Foundation is an independent, non-profit organization formed to promote good governance and best practices among California's special districts through certification, accreditation and other recognition programs. The California Special Districts Association and the Special District Risk Management Authority support the Special District Leadership Foundation.

The Special District Leadership Foundation has promulgated a number of best practice regarding web sites for special districts. Based upon those best practices and best practices developed by the Matrix Consulting Group, the Tomales Village Community Services District should expand the amount of material available on its web site including the following:

- The terms of office for the members of the Board;
- Election procedures and deadlines;

- Board meeting schedule (the specific dates for the fiscal year);
- Authorizing statute / enabling act for the District; and
- Most recent LAFCO municipal service review.

**Recommendation #7: The District should expand the material published to its web site to include the terms of office for the members of the Board; election procedures and deadlines; Board meeting schedule (the specific dates for the fiscal year); Authorizing statute / enabling act for the District; and the most recent LAFCO municipal service review.**

### **3. THE BOARD OF DIRECTORS SHOULD COMPLETE SELECTED CALIFORNIA SPECIAL DISTRICT ASSOCIATION TRAINING.**

The Board of Directors of the Tomales Village Community Services District should complete the four modules of the Special District Leadership Academy series provided by the California Special District Association.

The curriculum for the academy recognizes the necessity for the Board to work closely together with each other and the community. The Academy provides the knowledge base to perform essential governance responsibilities. Those wishing to complete the Special District Leadership Academy have the option of participating in one-day workshops in Sacramento during the course of the year or participating in the Special District Leadership Academy Conference. Attendees at this conference will complete all four modules of the Academy during the course of two and one-half days.

Descriptions of some of the suggested training is presented below.

- Introduction to Good Governance Principles - the Introduction to Good Governance training has been designed specifically for special district board members and board chairs/presidents in order to provide the tools, background and overall knowledge necessary to help navigate the first year of governing a special district and be an effective leader.
- Governance Foundations - Governance Foundations, the first of four modules and the core of the Special District Leadership Academy series, provides the basic information needed by board members, general managers and staff to build an effective and functional governance team. This course teaches the

foundational knowledge and skills that identify and define the essential building blocks of a successful board. Directors will learn to develop a unity of purpose; understand the board's role in the district; build a strong, positive, functional board culture; and organize the formal structure of the board.

The California Special District Association also offers webinars including best practices in agenda preparation and minutes.

The Board of Directors should complete the four modules of the Special District Leadership Academy series provided by the California Special District Association. This training can be completed in Sacramento. The cost of each module is \$225 for members of the California Special District Association.

**Recommendation #8: The Board of Directors should complete the four modules of the Special District Leadership Academy series provided by the California Special District Association.**

**4. THE DISTRICT SHOULD EXPAND THE MATERIAL PUBLISHED TO ITS WEB SITE.**

The Special District Leadership Foundation is an independent, non-profit organization formed to promote good governance and best practices among California's special districts through certification, accreditation and other recognition programs. The California Special Districts Association and the Special District Risk Management Authority support the Special District Leadership Foundation.

The Special District Leadership Foundation has promulgated a number of best practice regarding web sites for special districts. Based upon those best practices and best practices developed by the Matrix Consulting Group, the Tomales Village Community Services District should expand the amount of material available on its web site including the following:

- The terms of office for the members of the Board;

- Election procedures and deadlines;
- Board meeting schedule (the specific dates for the fiscal year);
- Authorizing statute / enabling act for the District; and the
- Most recent LAFCO municipal service review.

**Recommendation #9: The District should expand the material published to its web site to include the terms of office for the members of the Board; election procedures and deadlines; Board meeting schedule (the specific dates for the fiscal year); Authorizing statute / enabling act for the District; and the most recent LAFCO municipal service review.**

**5. THE DISTRICT SHOULD CONTINUE TO USE THE SKILLS OF THE VOLUNTEERS SERVING ON THE FINANCE ADVISORY COMMITTEE AND THE PARKS ADVISORY COMMITTEE.**

There's a difference between input and participation. The residents of the Tomales Village can give input through public hearings and during comment periods at Board hearings - essentially opportunities to comment. However, effective solutions for the District will emerge only when the residents of the Tomales Village participate in decision-making through advisory committee in which residents can engage in listening, collaborating and weighing the trade-offs, and providing advice and recommendations to the Board of Directors.

The District has established two advisory committees: a Finance Advisory Committee and a Parks Advisory Committee.

The two committees serve several beneficial purposes for the District as note below.

- **Build understanding of the District.** The use of the advisory committee's helps develop the knowledge and capacity in the Tomales Village to better understand the District, its operations, and its challenges, and provides two-way conduits for communication.

- **Get help.** The use of the advisory committee's helps the Board of Directors govern the District by delegating tasks to these committees, and share the burden of the day-to-day details regarding governance of the District.
- **Develop trust.** Perceptions of trust and commitment are often marginalized in communities that are less involved. The use of advisory committees builds personal relationships in the Tomales Village, and builds trust with the District and the decisions made by the Board of Directors. Broader involvement of the Tomales Village community typically results in decisions that have greater legitimacy and a better sense of "ownership" of those decisions by the Tomales Village community.
- **Make better decisions.** The Board of Directors will make better decisions through the two-way communication with the advisory committees: the Board will have a better sense of the preferences of the Tomales Village community, and can include this information in their decision-making.
- **Develop future Board members.** The governance of the District – even with one meeting a month – is time consuming, and Board members have jobs, careers, and families. Turnover in the Board membership is inevitable given these demands. One member of the Board of Directors recently resigned. The use of advisory committees helps develop the interest in serving as a member of the Board of Directors.

In summary, the use of the two advisory committees by the Tomales Village Community Services District is a positive aspect of District governance and should be continued.

**Recommendation #10: The District should continue to utilize the Park and the Finance Advisory Committees.**

## **5. ANALYSIS OF FINANCIAL MANAGEMENT**

As noted previously, the District is in excellent financial shape. According to the utility rate analysis:

- The District's current ratio is 15.7 (goal is >1);
- The District has adequate cash on hand to fund operating reserves and debt service reserves (under most of the alternatives) in advance if they choose to do so;
- Based on the Statement of Financial Position, the District has no debt beyond their immediate accounts payable;
- The District's operating ratio is 2.84 (goal is >1);
- The District, at the end of FY 2012-13, had cash and cash equivalents amounting to \$331,865 or 145% of annual operating expenses;
- Over the 5-years from FY 2008-09 to FY 2012-13, the cash and cash equivalents have remained relatively constant varying from a low of \$293,102 to a high of \$342,817;
- The District's reserves exceed by \$86,048 or 34% the amount recommended by the Rural Community Assistance Corporation in the utility rate study.

There are, however, some steps the District should take to improve its financial management.

One of the tenets of effective utility management, as defined by six utility professional associations (e.g., Water Environment Federation, National Association of Water Companies, American Public Works Association, etc.) was (1) establishing and maintaining an effective balance between long-term debt, asset values, operations and maintenance expenditures, and operating revenues; (2) rates that are adequate to pay its bills, put some funds away for both future capital expenditures and unanticipated

issues, and maintain, repair, and replace its equipment and infrastructure as needed.<sup>2</sup>

The District has largely achieved this at the present time.

**1. THE DISTRICT SHOULD DEVELOP AND ADOPT A FIVE-YEAR CAPITAL IMPROVEMENT PROGRAM FOR THE WATER UTILITY.**

The District does not want to revisit the conditions of its assets that it inherited when it assumed responsibility for the collection and treatment system from the North County Marin District.

The District has spent little over the past five years on capital improvements to replace, rehabilitate, or renew the District's wastewater collection and treatment plant assets. There are not any capital projects budgeted in the FY 2014-15 budget, for example, to replace, rehabilitate, or renew the District's wastewater collection and treatment plant assets.

The District should develop a five-year capital improvement program. The five-year capital improvement program should include replacement and rehabilitation requirements. Each capital project should include the location of the project, project descriptions, the estimated project cost by type of cost (i.e., design, construction, construction management, contingency, etc.), the source of funding, and the proposed timing for the capital project.

A possible form that could be utilized to document these capital improvement projects is presented in the exhibit on the following page.

The Finance Committee should develop a five-year capital improvement program for the District. This should be developed based upon consultation with the District's contract wastewater treatment plant operator.

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<sup>2</sup> Effective Utility Management: A Primer for Water and Wastewater Utilities, Effective Utility Management Collaborating Organizations, 2008

**Sample Capital Improvement Program  
 Budget Request Form**

Project Title:  
 Departmental Responsibility:  
 Description:  
 Justification:

Project Element	Total	2015-16	2016-17	2017-18	2018-19	2019-20
Planning						
Design						
Land						
Construction						
Equipment						
Other						
<b>TOTAL</b>	<b>\$-</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

FUNDING SCHEDULE (\$000s)									
SOURCE	TOTAL	THRU 2007	2008	2009	2010	2011	2012	2013	BEYOND 2013
Current Rev.									
Federal / State Aid									
Other									
<b>TOTAL</b>	<b>\$-</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Recommendation #11: The Finance Committee should develop a five-year capital improvement program budget for the consideration of the Board of Directors. This five-year capital improvement program budget should be developed based upon consultation with the District's contract wastewater treatment plant operator.**

**2. THE RESPONSIBILITY FOR GENERAL MANAGEMENT AND FINANCIAL MANAGEMENT OF THE DISTRICT SHOULD BE SEGREGATED.**

Internal controls are essential to the effective operation of local governments. Simply put, internal controls are those activities in place to provide reasonable assurance that things are “going according to plan.” Without adequate safeguards, elected officials have little assurance that their fiscal goals are being met. At the same time, adequate controls can reduce the likelihood that errors and / or irregularities could occur and go undetected. The right internal controls can help ensure that “good” things happen and that “bad” things don't.

A critical internal control is segregation of duties. Segregation of Duties (SOD) is a basic building block of sustainable risk management and internal controls for a business. The principle of segregation of duties is based on shared responsibilities of a key process that disperses the critical functions of that process to more than one employee. The risk management goal of segregation of duties is to prevent unilateral actions from occurring in key processes where irreversible affects are beyond an organization's tolerance for error or fraud.<sup>3</sup>

At the present time, the District has a material weakness in its financial management. These material weaknesses will occur in small public organizations such as the District, but the material weakness should be mitigated. The material weakness is that the one employee of the District – the General Manager – is responsible for

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<sup>3</sup> American Institute of Certified Public Accountants, Segregation of Duties, Anthony Ghosn, MBA, CMA, 2015

operating / financial management of the District and the day-to-day bookkeeping for the District. This includes:

- Prepare monthly bills for payment and arrange billing schedule to coincide with Board meetings for approval and payment in a timely manner;
- Prepare monthly financial reports and submit monthly to Board including Balance Sheet, Profit and Loss Statement, Aged Receivables, Aged Payables and Trial Balance; and
- Make prompt bank deposits upon receipt of money.

The responsibility for operational and financial management of the District should continue to be placed with the General Manager. The day-to-day bookkeeping should be outsourced. Other Districts have already outsourced their bookkeeping including the Almonte Sanitary District and the Homestead Valley Sanitary District.

The District should retain a bookkeeper to prepare reports, exhibits, and schedules required monthly, quarterly and annually in accordance with Government Accounting Standards Board (GASB) including:

- Income Statement;
- Balance Sheet;
- Schedule of cash;
- Budget Variance Analysis;
- Statements of changes in financial position;
- Notes of financial statement;
- Reconcile general ledger accounts;
- Enter and pay bills approved by General Manager;
- Bill Customers; and
- File annual financials with County, State, and Bonding Agency.

The District should retain a bookkeeper. The request for proposal issued by the District appears, in some instances, to go beyond the typical services expected of a bookkeeper such as acting as the District Treasurer, researching and advising the Board on deposit institutions and investment opportunities, executing District loan and investment policies approved by the Board of Directors, etc. These duties extend beyond the responsibility of a bookkeeper, and should not be considered by the District.

**Recommendation #12: The Board of Directors should outsource its financial bookkeeping including responsibilities to prepare financial reports, exhibits, and schedules in accordance with Government Accounting Standards Board.**

**Recommendation #13: The request for proposal issued by the District for financial bookkeeping should be modified to remove those bookkeeping services that are atypical such as acting as the District Treasurer, researching and advising the Board on deposit institutions and investment opportunities, executing District loan and investment policies approved by the Board of Directors, etc.**

**3. THE DISTRICT SHOULD ADOPT A NUMBER OF FINANCIAL POLICIES AND PROCEDURES.**

As noted earlier, some of the recommendations contained within the utility rate study prepared by the Rural Community Assistance Corporation first require action by the Board (e.g., adoption of a policy and procedure regarding financial reserves).

The Matrix Consulting Group recommends that the District develop and adopt a number of financial policies and procedures.

Initially, these policies and procedures should focus on the financial reserves to be maintained by the District. These policies and procedures contained within the report issued by the Rural Community Assistance Corporation should be reviewed by the Finance Committee, modified as necessary, and brought to the Board of Directors for its

consideration and adoption. These reserve policies and procedures are presented in the exhibit following this page.

In addition, the District should adopt other financial policies as presented in the exhibit following this page. These should include policies regarding revenue, budgeting, debt issuance and management, and investments. These policies and procedures have been modeled upon those in use in other sanitary districts.

The proposed policies should be reviewed by the Finance Committee and, after consideration, modified as necessary, brought to the Board of Directors for its consideration and adoption.

**Recommendation #14: The District should develop and adopt financial policies and procedures. Initially, these policies and procedures should focus on the financial reserves to be maintained by the District.**

**Recommendation #15: The District should adopt other financial policies including policies regarding revenue, budgeting and asset management, debt issuance and management, and investments.**

**Recommendation #16: The financial policies proposed within the management study should be reviewed by the Finance Committee and, after consideration, modified as necessary, brought to the Board of Directors for its consideration and adoption.**

#### **4. THE DISTRICT SHOULD PREPARE A FIVE-YEAR FINANCIAL PLAN.**

The District has not formalized its financial planning to develop any significant documents such as a long-term financial plan. The Government Finance Officers Association indicates that long-term financial planning is a best practice.

The District should develop a five-year financial plan as a tool to evaluate the District's fiscal health; ensure the District's fiscal strength and stability in the near-term; and, evaluate various alternatives for sewer service charges. This financial plan should address at least the following issues:

**Proposed Financial Reserve  
Policies and Procedures**

**I. RESERVE POLICIES**

1. Reviewed annually. The Tomales Village Community Services District shall maintain reserves that are appropriate to the needs of the District. Reserve levels shall be established and reviewed annually as part of the budget process. The use of fund balance or reserves for operational activities shall be explained in the annual budget document; such explanation shall describe the circumstances for such action and its expected future impact.

2. Operating reserves. The Tomales Village Community Services District shall maintain an operating reserve to provide the utility with the ability to withstand short-term cash-flow fluctuations. There can be a significant length of time between when a system provides a service and when a customer pays for that service. In addition, a system's cash flow can be affected by weather and seasonal demand patterns. A 45-day operating reserve is a frequently used industry norm. Because of potential delays in collecting payment many utilities attempt to keep an amount of cash equal to at least 45 days or one-eighth of their annual cash operating and maintenance expenses in an operating reserve to mitigate potential cash flow problems.

3. Emergency Reserve. The Tomales Village Community Services District shall maintain emergency reserves for financial sustainability. Emergency reserves are intended to help the District deal with short-term emergencies that arise from time to time such as main breaks or pump failures. An emergency reserve is intended to fund the immediate replacement or reconstruction of the system's single most critical asset; an asset whose failure will result in an immediate wastewater system failure or threat to public safety. The emergency reserve shall approximate 2% of the total replacement cost of the Districts assets.

4. Capital Improvement Reserve. The Tomales Village Community Services District shall maintain a capital improvement reserve (also called a repair and replacement reserve) for replacing system assets based upon their service life. The capital improvement reserve shall be based upon the total replacement cost the total replacement cost of the Districts assets divided by their expected service life. This reserve shall be used to fund the District's capital improvement program on an annual basis and replenished in the following year.

5. Debt service reserve. The Tomales Village Community Services District shall maintain a debt service reserve to pay for capital assets as required to meet the legal covenants of the debt. This debt service reserve shall represent an amount equal to one full annual loan payment.

- Financial trend analysis;
- Five-year financial plan of revenues and expenditures;
- Analysis and projection of major revenue accounts;
- Fund balance scenarios;
- Capital improvement project and debt service analysis; and
- Scenarios for setting sewer service charges for maintenance, operations, and debt service.

These are some examples of the components of a five-year financial plan.

**Recommendation #17: The Finance Committee should develop a five-year financial plan that evaluates the District's current and projected financial condition.**

**Recommendation #18: The Finance Committee should update the five-year financial plan on an annual basis.**

**Recommendation #19: The five-year financial plan should be prepared prior to annual budget deliberations by the Board of Directors.**

**Recommendation #20: The Finance Committee should present the five-year financial plan to the Board of Directors for its review and consideration on an annual basis.**

**5. THE DISTRICT SHOULD ELIMINATE THE SHORELINE UNIFIED SCHOOL DISTRICT DEPRECIATION CHARGE.**

The District has recently initiated a depreciation charge to the Shoreline Unified School District.

The General Manager has indicated that California Government Code 25260 requires such depreciation. The California Government Code 25260 states that “the board **may** provide for the fixing and collection of charges from the recipients of activities financed by the fund, and such charges may include all expense in providing the service activity, including operational cost and depreciation.”

**Proposed Financial  
Policies and Procedures**

**II. REVENUE POLICIES**

1. Fees and Charges

(a) Setting of Fee and Charge Amounts. The Tomales Village Community Services District shall set fees and charges to recover the current operating needs of the District, including the financing of capital improvements in accordance with the 5-year Capital Improvement Program adopted by the District.

(b) Review of Fees. The Tomales Village Community Services District shall review fees and charges annually to ensure they are set at appropriate amounts.

(c) Revenue Forecasting. The Tomales Village Community Services District shall estimate revenues conservatively, through an objective, analytical process. The District shall regularly report on forecasted versus actual revenues, and provide explanation for significant variances.

(d) Use of one-time revenues. The Tomales Village Community Services District shall use one-time revenues (e.g., grants) to support one-time expenditures (e.g., capital improvement projects). One-time revenues shall not be used to support ongoing operating expenses.

**III ANNUAL OPERATING BUDGET**

1. The budgetary procedures utilized by the Tomales Village Community Services District shall conform to State regulations and generally accepted accounting principles. The District shall use a modified accrual basis of accounting for reporting on budgeted versus actual expenditures, with the following exceptions:

- Grant revenues are budgeted on a modified cash basis rather than an accrual basis; and
- Fixed assets are depreciated for some financial reporting, but are fully expensed in the year acquired for budgetary purposes;

2. Balanced budget. The Tomales Village Community Services District shall maintain a balanced budget. The total uses in the budget (operating expenses, capital expenses, intra-fund transfers and ending fund equity) shall equal total sources (operating expenses, capital expenses intra-fund transfers and ending fund equity) including contingencies.

3. Budget Control. The Tomales Village Community Services District Board of Directors retains the authority to increase annual budget authority. In no case, shall total operating and capital expenditures exceed that appropriated by the Board of Directors without a budget amendment being approved by the Board of Directors. Only the Board of Directors may authorize transfer of budget authority between operating and capital expenditures.

#### **IV. CAPITAL ASSETS**

1. Budget for replacement of assets using an expected service life. The Tomales Village Community Services District shall budget for the adequate replacement of its capital equipment to ensure continued compliance with the requirements of the Regional Water Quality Control Board and public safety.

2. Capitalization threshold. An asset shall be considered a capital asset when the initial cost of the asset is \$3,000 or more and has a useful life of more than one year. The initial cost shall include any costs necessary to put the asset into its intended use.

3. Five-year Capital Improvement Plan. The Tomales Village Community Services District shall prepare, adopt and update annually a five-year Capital Improvement Plan that identifies and sets priorities for all major capital assets to be acquired, constructed or replaced by the District. The Capital Improvement Plan shall be included in the Adopted Budget.

4. Funding requirement. The Tomales Village Community Services District five-year Capital Improvement Plan shall identify adequate funding to support the acquisition, construction and replacement of assets identified in the plan, and shall identify projects that the District believes beneficial to the system but funding has not yet been identified.

#### **V. DEBT ISSUANCE**

1. Use of long-term debt. The Tomales Village Community Services District shall have a preference to finance capital improvements using pay-as-you-go financing and shall issue long-term debt only to finance capital improvements that cannot be readily financed from current revenues. Some exceptions to this may be made on a case-by-case basis for no-interest and extremely low interest loan programs for capital projects.

2. Use of debt financing. The Tomales Village Community Services District shall use debt financing only for major, non-recurring items or improvements with a minimum of five years of useful life; assets with a shorter useful life shall be financed using pay-as-you-go financing.

3. Length of debt obligations The Tomales Village Community Services District shall repay all debt issued within a period not to exceed the expected useful life of the improvements financed by the debt.

4. Debt service limitation. The Tomales Village Community Services District shall not issue debt where the debt service amounts exceed its ability to pay current obligations from current revenues. This shall be calculated as follows: current operating revenues, less current operating expenditures, shall be at least 125% of anticipated total annual debt service for all outstanding long-term debt.

## **VI. INVESTMENTS**

1. Investment policy. The Tomales Village Community Services District shall maintain the same investment policy as the County of Marin and shall invest its cash reserves in the County's investment pool.

## **VII. FINANCIAL REPORTING**

1. Monthly financial reporting to Board of Directors. On a monthly basis, the Tomales Village Community Services District Board of Directors shall be provided a financial report that includes budget-to-actual financial reporting and calculation of existing cash balances. The Board shall also receive regularly a report listing payments made to vendors during the reporting period.

## **VIII. ACCOUNTING**

1. Financial statements. The Tomales Village Community Services District shall prepare financial statements annually, in accordance with generally accepted accounting principals for governments.

2. Annual financial audit. The Tomales Village Community Services District's financial statements shall be audited annually by an independent, qualified third party in accordance with generally accepted auditing standards, and shall complete the audit within eight months of the end of the fiscal year. The audit results and any associated management response shall be presented to the Board of Directors, and published to the Districts web site after that presentation.

As the Code indicates, it states that the Board may provide for the fixing and collection of charges. It does not require such fixing and collection of charges.

In addition, it is not possible for the Tomales Village Community Services District to state that it is not already collecting depreciation charges from the Shoreline Unified School District since the charges made to the Shoreline Unified School District are not based upon actual flow demand from the schools served by the Tomales Village Community Services District. Typically, sewer service charges are based upon equivalent demand units (EDU). A single-family residence could typically be one EDU, while an elementary school could be one EDU for every 60 students, a junior high school every 40 students, and a high school every 30 students.

The District's sewer service charges to the Shoreline Unified School District are based upon negotiations between the two District's and not Tomales Village Community Services District Board-adopted equivalent demand units and rates based upon documented flows from the schools during the school year and during recess. There is no analytical basis for the charges made to the Shoreline Unified School District, and certainly no basis for stating that the existing fees do not include a depreciation expense.

In addition, the District does not need the additional revenue at the present time. The District's financial trends and condition, overall, are excellent. According to the utility rate analysis:

- The District's current ratio is 15.7 (goal is >1);
- The District has adequate cash on hand to fund operating reserves and debt service reserves (under most of the alternatives) in advance if they choose to do so;

- Based on the Statement of Financial Position, the District has no debt beyond their immediate accounts payable;
- The District's operating ratio is 2.84 (goal is >1);
- The District, at the end of FY 2012-13, had cash and cash equivalents amounting to \$331,865 or 145% of annual operating expenses;
- Over the 5-years from FY 2008-09 to FY 2012-13, the cash and cash equivalents have remained relatively constant varying from a low of \$293,102 to a high of \$342,817;
- The District's reserves exceed by \$86,048 or 34% the amount recommended by the Rural Community Assistance Corporation in the utility rate study.

In addition, the District's projected capital improvements contained in the utility rate analysis prepared by Rural Community Assistance Corporation does not indicate that increased funding for capital improvements is needed (including depreciation revenue). Over the initial **five years** of the capital improvement plan contained in the utility rate analysis, a total of \$77,092 in capital improvements was recommended (excluding the sliplining). The District's reserves exceed by \$86,048, or 34%, the amount recommended by the Rural Community Assistance Corporation in the utility rate study. The District already has sufficient funding in its reserves for capital improvements over the next five years. Additional funding is unnecessary.

**Recommendation #21: The Tomales Village Community Services District should eliminate the Shoreline Unified School District depreciation charge.**

**6. THE TOMALES VILLAGE COMMUNITY SERVICES DISTRICT AND THE SHORELINE UNIFIED SCHOOL DISTRICT SHOULD WORK TOGETHER TO RATIONALIZE THE SEWER SERVICE CHARGE PAID BY THE SCHOOL DISTRICT.**

The utility rate analysis prepared by Rural Community Assistance Corporation includes the existing sewer service charges in Table 3.1, reproduced below.

Type of Occupancy	#	EDU Per #	EDU's	\$ / EDU / Year
Single Family Residences	75	1.06	79.50	\$60,162
Multiple Family Residences	7	2.43	17.01	\$12,852
Commercial Parcels	10	2.54	25.40	\$19,202
Institutional Parcels	4	1.90	7.60	\$5,746
Additional Institutional	3	1.00	3.00	\$2,268
<b>TOTAL</b>	<b>99</b>		<b>132.51</b>	<b>\$100,230</b>

The Shoreline Unified School District is not part of the current rate structure in terms of equivalent demand units. The Shoreline Unified School District merely pays 34% of the District's operating cost.

The Matrix Consulting Group believes the payment by the Shoreline Unified School District of 34% of the District's operating cost is problematic. It is not based upon actual effluent flow from the Shoreline Unified School District; there is no factual basis for the 34%. When reviewing the number of students attending Shoreline Unified School District schools in Tomales Village and considering the approach used by other public agencies (converting students to equivalent demand units), the allocation of 34% of the District's operating cost to the Shoreline Unified School District could potentially be problematic.

The relationship between the service provider (Tomales Village Community Services District) and its customer (Shoreline Unified School District) is not effectively served by reciting past memorandum of agreement. It is time for the Tomales Village Community Services District to rationalize the sewer service charges paid by the

Shoreline Unified School District based upon actual effluent flow from the Shoreline Unified School District. The Tomales Village Community Services District should work with the Shoreline Unified School District to collect actual effluent data during the school year and recess based upon sampling (and not twelve months); that actual effluent data should be used to establish equivalent demand units for the Shoreline Unified School District schools and school offices, and used to establish fact-based sewer service charges.

**Recommendation #22: The Tomales Village Community Services District should rationalize the sewer service charges paid by the Shoreline Unified School District based upon actual effluent flow from the Shoreline Unified School District.**

**Recommendation #23: The Tomales Village Community Services District should work with the Shoreline Unified School District to collect actual effluent data during the school year and recess based upon sampling (and not twelve months); that actual effluent data should be used to establish equivalent demand units for the Shoreline Unified School District schools and school offices, and used to establish fact-based sewer service charges.**

## **6. ANALYSIS OF MAINTENANCE MANAGEMENT OF THE DISTRICT'S ASSETS**

The District spent a great deal of sweat, tears, and money repairing the assets of the District's assets after assuming responsibility for these assets from the North Marin Water District. The District must ensure that its maintenance practices do not allow the District's assets to slip back to a condition that requires this effort to be repeated. That requires diligence on the part of the Board.

One of the tenets of effective utility management, as defined by six utility professional associations (e.g., Water Environment Federation, National Association of Water Companies, American Public Works Association, etc.) was that the Board of Directors (1) understands the condition of and costs associated with critical infrastructure assets; (2) maintains and enhances the condition of all assets over the long-term at the lowest possible life-cycle cost and acceptable risk consistent with customer, community, and regulator-supported service levels, and consistent with anticipated growth and system reliability goals; and (3) assures asset repair, rehabilitation, and replacement efforts are coordinated within the community to minimize disruptions and other negative consequences.<sup>4</sup>

### **1. THE ANNUAL OPERATING BUDGET ADOPTED BY THE DISTRICT SHOULD INCLUDE COMMITMENTS FOR PREVENTIVE MAINTENANCE OF THE COLLECTION SYSTEM AND RENEWAL AND REPLACEMENT OF ASSETS.**

The fiscal year 2014 – 15 operating budget for the District's wastewater collection system and treatment plant does not contain any budgeted expenditures for CCTV inspection of the wastewater collection system, cleaning of the wastewater collection

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<sup>4</sup> Effective Utility Management: A Primer for Water and Wastewater Utilities, Effective Utility Management Collaborating Organizations, 2008

system, sliplining of the wastewater collection system, replacement of equipment at the wastewater treatment plant, etc.

The District's *Sewer System Management Plan* states that the "District collection system was designed and built in 1976 and has been periodically repaired and/or replaced in areas over time. There are no known problem areas or pipes at risk, however, the District is developing a three-stage replacement program that will entail replacing or rehabilitating all collection pipes and manholes over time when funding is available. This project will cost approximately \$3.2 million dollars and will not be undertaken with ratepayer funding." This three-stage replacement plan for the District's wastewater collection system has yet to be budgeted within the District's annual operating budget.

The District's *Sewer System Management Plan* the District's "sanitary sewer system is a gravity system that is self-cleaning and does not regularly (or even infrequently) experience collection main stoppages or blockages or sanitary sewer overflows." The belief that a wastewater collection system is self-cleaning is not accurate. All wastewater collection systems need some frequency of cleaning, even when mains are designed to be self-cleaning.

The Bay Area Clean Water Agencies, in its publication *Best Management Practices for sanitary Sewer Overflow – Reduction Strategies*, states that "the primary reason to do preventive maintenance on a gravity sewer is to reduce the potential of blockages, which can cause sanitary sewer overflows. Even though gravity sewers are *supposed* to be *self-cleaning* when they are designed with proper scouring velocities, there are several factors that may require the sewer to be cleaned periodically

anyway.”<sup>5</sup> These include root intrusion, debris build-up, foreign objects, poor alignment resulting in a sag, etc.

The Environmental Protection Agency states that “an operation and maintenance program is necessary and should be developed to ensure the most trouble-free operation of a sanitary sewer system. An effective maintenance program includes enforcement of sewer ordinances, timely sewer cleaning and inspection, and preventive maintenance and repairs. Inspection programs often use closed-circuit television (CCTV) cameras and lamping to assess sewer conditions. Sewer cleaning clears blockages and serves as a preventive maintenance tool. Common sewer cleaning methods include rodding, flushing, jetting, and bailing.”<sup>6</sup>

The District should initiate cleaning of its wastewater collection mains on a cycle of three years. If initial results are favorable, the frequency could be lengthened. The District should initiate CCTV inspection of its wastewater collection mains once every twelve years.

The District should include funding in its operating budget for cleaning and CCTV inspection of its wastewater collection system on an annual basis. It should seek to partner with other sanitary districts or cities in the establishing a contract for cleaning of and CCTV inspection of its wastewater collection mains. Marin County Sanitary District #5 has such a contract; and the City of Sausalito has just issued a request for proposal for such services. Typically, wastewater collection mains should be cleaned prior to CCTV inspection. As a result, the cleaning and CCTV inspection will need to be coordinated, with service delivery by the same contractor.

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<sup>5</sup> Bay Area Clean Water Agencies, *Best Management Practices for sanitary Sewer Overflow – Reduction Strategies*, 2009

<sup>6</sup> Environmental Protection Agency, Collection Systems Technology Fact Sheet, 2002

The cost should not cost more than \$2.10 to \$2.50 per linear foot for cleaning and CCTV inspection of wastewater collection mains if the District partners with other agencies in Marin County. The District's costs, for cleaning and CCTV inspection of its wastewater collection mains, should proximate \$8,800 to \$10,500 annually. The District should budget these funds on an annual basis.

**Recommendation #24: The District should include funding in its operating budget for cleaning and CCTV inspection of its wastewater collection system on an annual basis.**

**Recommendation #25: The District should initiate cleaning of its wastewater collection mains on a cycle of three to five years. If initial results are favorable, the frequency could be lengthened. The District should initiate CCTV inspection of its wastewater collection mains once every twelve years.**

**Recommendation #26: The District should seek to partner with other sanitary districts or cities in the establishing a contract for cleaning and CCTV inspection of its wastewater collection mains.**

**Recommendation #27: The cleaning and CCTV inspection of wastewater collection mains will need to be coordinated, with service delivery by the same contractor.**

**2. THE DISTRICT SHOULD SLIPLINE THE WASTEWATER COLLECTION SYSTEM ONLY WHEN THE CCTV INSPECTION CONDITION ASSESSMENT INDICATES THAT SLIPLINING IS WARRANTED.**

The draft Wastewater System Financial Analysis prepared by the Rural Community Assistance Corporation in March 2014 included a capital improvement plan. The plan included recommendations for sliplining the District's collection system in three phases over the next five to seven years (from issuance of the draft report). Each phase was to result in sliplining 1,800 linear feet. The total capital outlay amounted to \$676,800.

Previous CCTV inspections of the District's wastewater collection system have resulted in repairs, and not sliplining. The District repaired (patched) 9 listed manholes

and lift station and repaired two line breaks at manhole 19 and manhole 32. This was part of the Improvement Project Phase #1. The CCTV inspection in 2008 noted and repaired manholes, laterals with water flowing, and offset joints.

The District's sewer collection and biological treatment system was designed and built in 1976. Relatively, this is a "young" system. Typically, wastewater collection mains are replaced or sliplined on a fifty to one hundred year cycle.

The District should not slipline its wastewater collection mains unless the CCTV inspection indicates that such sliplining is warranted, and should not include funding for sliplining in its annual operating budget or 5-year capital improvement plan unless CCTV inspection indicates that such sliplining is warranted.

**Recommendation #28: The District should not slipline wastewater collection mains unless the CCTV inspection indicates that such sliplining is warranted.**

**Recommendation #29: The District should not include funding for the systematic sliplining of wastewater collection mains in its five-year capital improvement program or its annual operating budget until CCTV inspection indicates that such sliplining is warranted.**

**3. THE MAINTENANCE LOG FOR THE WASTEWATER TREATMENT SHOULD BE REVISED TO INCLUDE MAINTENANCE PRACTICES INCLUDED IN THE DISTRICT'S OPERATIONS AND MAINTENANCE MANUAL.**

The District's maintenance log for the lift station and the wastewater treatment plant should document the maintenance by the contract plant operator of these assets in accordance with the District's operations and maintenance manual.

A maintenance log has been developed, but it only requires commenting on whether the station is operating correctly, unusual notices, and the operating level of the wet well. A log has been developed for the wastewater treatment plant, but it does not

reflect the comprehensive maintenance procedures required for the preventive maintenance of the treatment plant. For example, for the comminutor, it includes:

- Weekly cleaning and inspection, clearing of plastics, checking the oil level, and ensuring that there are no unusual noises; and
- Quarterly changing the oil.

The maintenance log does not require the contract plant operator to check the comminutor blades, sharpen the blades, and the frequency with which these services are to be performed.

The maintenance log does not require the contract plant operator to pump and clean out the wet well, inspect the pump impeller, inspect check valves, clean the float valves, etc.

The District should revise the maintenance log to comprehensively reflect the requirements of the District's operations and maintenance manual. The contract plant operator should be required to follow, utilize, and complete the revised maintenance log.

**Recommendation #30: The District should revise the maintenance log to comprehensively reflect the requirements of the District's operations and maintenance manual. The contract plant operator should be required to follow, utilize, and complete the revised maintenance log.**

**4. THE DISTRICT SHOULD WORK WITH ITS CONTRACT PLANT OPERATOR TO IDENTIFY AND MITIGATE TREATMENT PLANT RISKS.**

Phillips and Associates, the existing contract wastewater treatment plant operator for the District, provided a number of responses to the diagnostic appraisal prepared by the Matrix Consulting Group. One of the responses by Phillips and Associates was that "with the downstream oyster beds and environmentally sensitive estuary, any system failure could be devastating to the TVCSD."

The District's own web site notes that "in 1996, one of the irrigation pipes broke and secondary treated wastewater flowed out for several days before it was noticed. North Marin was fined by the Regional Water Quality Control Board."

The District cannot afford such failures. The fines levied by the Regional Water Quality Control Board would be devastating in addition to the damage to the downstream oyster beds and environmentally sensitive estuary. The fines can be of significant magnitude. For example: was initially fined

- Initially, the fine proposed in 2012 for the he South San Luis Obispo County Sanitation District was \$1.3 million for the District's first sewer spill in more than 25 years. Due to high water entering the electrical system, the pumps in the treatment plant shut down, creating the spill.
- The City of Palo Alto recently received (in 2014) the minimum mandatory penalty for treated wastewater discharge violations at its wastewater treatment plant. Almost all the violations were related to the very stringent copper limits, which were contained in Palo Alto's previous permit.
- The City of American Canyon paid a \$6,000 fine for wastewater discharge limit violations for eight minor, self-reported, out-of-compliance incidents at the City's wastewater treatment plant between the fall of 2003 and the fall of 2011, with only two rose to the level requiring a fine.
- The Sausalito – Marin City Sanitary District was, initially, fined \$332,000 for three spills of more than 775,000 gallons of sewage in 2009 after a pipe at its wastewater treatment plant burst.

While fines levied by the Regional Water Quality Control Board are subject to discussion, the District should work with the contract wastewater treatment plant operator to identify risks of system failure at the plant and its lift station, methods to mitigate those risks, and the costs of mitigation. These include such failures as loss of electrical power for the plant and the lift station, irrigation pipes breaking and secondary treated wastewater flowing out, plant or life station equipment failure, a rupture or overflow of ponds, etc.

Things do go wrong, but their impacts are contained through pre-planned mitigation measures and responses.

**Recommendation #31: The District should work with the contract wastewater treatment plant operator to identify risks of system failure at the plant and its lift station, methods to mitigate those risks, and the costs of mitigation.**

**5. A CERTIFIED PLAYGROUND SAFETY INSPECTOR SHOULD INSPECT THE PLAYGROUND EQUIPMENT AT THE DISTRICT'S PARK ON AN ANNUAL BASIS AND ANY DEFICIENCIES FOUND SHOULD BE PROMPTLY CORRECTED.**

Playgrounds are an essential element of child development and education. The State of California requires all public playgrounds meet the Consumer Product Safety Commission guidelines and the American Society for Testing and Materials standards.

Playground safety audits are important for two reasons. First, they show the District the hazards on its equipment so that they can be fixed right away and therefore keep the children safe. They also limit the District's liability in the event of an unfortunate situation. The District will have a full audit report on hand as written proof of its care for the well-being of the children who use its playground.

The playground equipment at the District's park are not inspected by a Certified Playground Safety Inspector on an annual basis. The District should have these inspections conducted on an annual basis by a Certified Playground Safety Inspector.

**Recommendation #32: The District should have a playground inspection conducted for its park on an annual basis by a Certified Playground Safety Inspector. Any deficiencies found should be promptly corrected.**

## **7. ANALYSIS OF THE OPERATING COSTS OF THE DISTRICT**

As noted previously, the monthly service charge of the District exceed the median of sixteen agencies in the State that provide secondary, secondary with disinfection, secondary with nutrient removal, tertiary, or tertiary with nutrient removal treatment processes. A comparison of the District's monthly service charge to these other sixteen other agencies that serve a population of 200 to 1,000 is presented in the table below.

<b>Comparative Measure</b>	<b>Monthly Service Charge</b>	<b>TVCS D Monthly Service Charge in Comparison</b>
Average Monthly Service Charge	\$67.90	-7.2%
Median Monthly Service Charge	\$49.00	28.6%
25th Percentile Monthly Service Charge	\$34.65	81.8%
75th Percentile Monthly Service Charge	\$90.78	-30.6%

In comparison to these sixteen agencies, the District's monthly service charge is:

- 7.2% lower than the average;
- 28.6% higher than the median;
- 81.8% higher than the 25<sup>th</sup> percentile; and
- 30.6% lower than the 75<sup>th</sup> percentile.

Overall, the District's monthly service charge is in the third quartile compared to the other sixteen agencies that serve a population of 200 to 1,000 and provide not less than secondary treatment.

One of the tenets of effective utility management, as defined by six utility professional associations (e.g., Water Environment Federation, National Association of Water Companies, American Public Works Association, etc.) was (1) ensuring ongoing,

timely, cost-effective, reliable, and sustainable performance improvements in all facets of operations, and (2) minimizing resource use, loss, and impacts from day-to-day operations.<sup>7</sup>

The District, in the opinion of the Matrix Consulting Group, has opportunities to improve the efficient performance of its operations.

**1. THE GENERAL MANAGER POSITION SHOULD BE BUDGETED AS A PART-TIME POSITION TO REFLECT THE PART-TIME WORKLOAD INVOLVED IN MANAGING A SMALL DISTRICT.**

At the present time, 33% of the fiscal year 2014-15 Sewer Budget is allocated to the General Manager's fees and health insurance allowance. For the Tomales Village Community Services District, that is an outsized allocation of its budget for management of the District.

The extent of resources allocated as General Manager of the District should approximate the size and complexity of the District's challenges in managing its operations. Those operations are not complex.

Marin County collects the sewer service charges for the District.

The District operates a small easy to maintain and operate wastewater collection and treatment system.

- **Wastewater treatment.** The *State Water Resources Control Board* most recent survey of wastewater agencies in California was conducted in fiscal year 2012-13. Of the 415 agencies that indicated the population served, the average population served was 92,743, while the median was 12,000. In comparison, the Tomales Village Community Services District serves a population of 200. Of the 376 agencies that indicated their average daily wastewater flow, the average was 9.34 million gallons a day, while the median was 1.1 million gallons a day. The Tomales Village Community Services District indicated that it had an average daily flow of 0.2 million gallons a day. The District's wastewater treatment system is simple to operate, is young, and was also designed and built in 1976. The

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<sup>7</sup> Effective Utility Management: A Primer for Water and Wastewater Utilities, Effective Utility Management Collaborating Organizations, 2008

treatment facility consists of a three pond biological treatment, secondary treatment system.

- **Wastewater collection.** The District has constructed a small, easy to maintain and operate collection system. The District has 12,622 linear feet of wastewater collection mains. The District's wastewater collection was designed and built in 1976. Relatively, this is a "young" system.

The District contracts for management of its wastewater treatment plant with Phillips and Associates.

Other sanitary districts of comparable size or larger use part-time general managers.

- This includes the Homestead Valley Sanitary District and the Almonte Sanitary District in Marin County, which share a General Manager. While both these districts have had their share of problems in 2008 regarding underinvestment in the replacement and preventive maintenance of their collection mains (similar to the District's own past), these two districts have responded and addressed these challenges.
- Counties that manage small sanitary districts comparable to the Tomales Village Community Services District, via their own public works departments, do not assign full-time managers. This includes Marin County and Sonoma County.
- The Matrix Consulting Group contacted four small districts in California, comparable in size as the Tomales Village Community Services District. One of these districts had a full-time general manager, but the others did not. One of the districts uses a part-time general manager who is also a licensed sewer plant operator. The part-time general manager is paid \$31,000 annually. A second district provides water and wastewater services, but its general manager is also part-time and is paid \$34,000 annually. A third district had a full-time general manager, but this general manager also served as the who is also a Grade III Chief Plant Operator; the role as chief plant operator was allocated more proportional labor hours than general manager. The general manager, in this instance, is paid \$82,000 annually. In the fourth instance, a Public Works Director managed one of the sanitary districts on a part-time basis.

The point, in this instance, is that other sanitary districts of comparable or larger size as the Tomales Village Community Services District use part-time general managers.

The Matrix Consulting Group also reviewed the work activities of the General Manager, as reflected in billing statements in the agenda packet of the Tomales Village Community Services District. A sample is provided in the exhibit following this page. Important points to note regarding the exhibit are presented below.

- Some of the work activities performed by the General Manager should be performed by a bookkeeper. The General Manager is an expensive bookkeeper given his hourly rate. Overall, the general Manager allocated 6.5% of his time to bookkeeping during this two-week period at a cost of \$202.
- The General Manager allocated 18.5% of his time to preparation of the Board packet and agenda at a cost of \$577. The General Manager is an expensive secretary given his hourly rate. The District should consider outsourcing agenda and preparation to a secretarial agency at a lower cost.
- Some of the work performed by the General manager appears to be for his professional development and keeping up with the profession and utility industry including reviewing California Special Districts Association daily press, reviewing Water News, reviewing California Water Journal, reviewing Water News, reviewing California Special Districts Association News Blog, working on California Special Districts Association membership update information, reviewing Water News, California Special Districts Association News, review California Special Districts Association news, reviewing Public CEO, attending a webinar on positive solutions, etc. It was not possible to determine how many hours were allocated to this activity since this activity was mixed with other activities. The General Manger is an independent contractor and personal and professional development should not be charged to the District. An independent contractor should normally provide the tools of his or her trade including the requisite professional skills.
- Some of the work performed by the General Manager should be performed by the contract treatment plant operator. For example, the General Manager met with Telstar for calibrating level sensors, the bubbler, and install the antenna at the lift station, check all systems and set new set points, etc. If the District is to hold the contract treatment plant operator accountable for operation of the plant, then the contract treatment plant operator should be responsible for all of its aspects including the SCADA system. It was not possible to determine how many hours were allocated to this activity since this activity was mixed with other activities.

**Hours and Activities Charged  
By the General Manager**

<b>Date</b>	<b>Work Activity</b>	<b>Description Of Work Activity</b>	<b>Hours Charged</b>	<b>Rate Per Hour</b>	<b>Total Hourly Charge</b>
27-Oct-14	Administration	Meet with Jeff from Telstar for calibrating level sensors, the bubbler, and install the antenna at the lift station, check all systems and set new set points, check park, check office, pick up mail, meet with Richard Levi, respond to Gary from Matrix, contact Donna re Matrix schedule, meet with Walter re solar panels,	10.25	\$43.00	\$440.75
28-Oct-14	Administration	Sort and review mail, review CSDA daily Press, review Water News, backup files to laptop, check office, deliver laptop, deliver signs, work on office, contact Matrix re schedule, contact Phillips re schedule, workon mailing list of LROs for RFPs, contact EHS re grease trap at Wm Tell and Diekmans,	7.63	\$43.00	\$328.23
28-Oct-14	Bookkeeping	Receive payments, post payments, return deposits,	0.62	\$43.00	\$26.52
29-Oct-14	Bookkeeping	Receive payments, log in Quick Books,	0.62	\$43.00	\$26.52
29-Oct-14	Administration	Try and fix the Matrix interview schedule, contact Steve Phillips, contact Patty Oku, contact Gary Goelitz, send out RFPs to LROs, work on LRO group list, attend webinar on positive solutions, sort mail, Review CA Water Journal, Review Water News, review CSDA News Blog,	7.65	\$43.00	\$328.95
30-Oct-14	Board Meeting	Work on Board Packets and agenda, monthly financial	1.87	\$43.00	\$80.27
30-Oct-14	Administration	Research files for State Annual report, work on master plan resources for Brian, scan files, contact SCO re depreciation and GASB, work on CSDA membership update information, work on LRO lists, contact Chris DeGabriele from NMWD re RFP,	4.80	\$43.00	\$206.40

**TOMALES VILLAGE COMMUNITY SERVICES DISTRICT**  
**Management Study of the Tomales Village Community Services District**

**Exhibit 5 (2)**

<b>Date</b>	<b>Work Activity</b>	<b>Description Of Work Activity</b>	<b>Hours Charged</b>	<b>Rate Per Hour</b>	<b>Total Hourly Charge</b>
31-Oct-14	Administration	Review and respond to e-mails and phone messages, contact SCO re GASB letter on depreciation, work on LRO list, review Water News, set up printer and move old printer to plant, work on files, work on request from Richard Levi,	3.13	\$43.00	\$134.73
31-Oct-14	Administration	Read and respond to RWQCB re Permit, contact David re park survey and topo, contact Dan Erickson, re same, contact Patty Oku with Work Plan update, review CSDA News, review Water News, contact SCO re depreciation, review GASB 34 and 55, Government Code 25260 and GAAFR,	2.67	\$43.00	\$114.67
3-Nov-14	Bookkeeping	Work on check registers, reconcile bank accounts, log into each company and account, work on payables,	2.96	\$43.00	\$126.85
3-Nov-14	Board Meeting	Work on Board packet and agenda, redo older Board packets to two sided	3.75	\$43.00	\$161.25
4-Nov-14	New Financial Statement	Work on New Financial Statement	0.52	\$43.00	\$22.22
4-Nov-14	Administration	Review and respond to e-mails, contact Gary Goelitz re Financials and website, contact Walter re Financials and website, contact other Districts re District computer survey, develop Notice for mediation, collect data for website,	3.35	\$43.00	\$144.05
4-Nov-14	Board Meeting	Work on Board Packet and Agenda,	3.55	\$43.00	\$152.65
5-Nov-14	Board Meeting	Work on Board Packet and Agenda,	4.25	\$43.00	\$182.75
5-Nov-14	Administration	Work on website with Walter, contact Richard re flip chart, work on email problems, contact sonic re problems, continue computer access survey, contact Deborah re Agenda, review CSDA news,	3.83	\$43.00	\$164.83
6-Nov-14	Administration	Review Government Code and GASB, back up QB and other files, review public CEO, collect file boxes, prepare for mediation, deliver files, deliver easel and flip chart, download backups, check plant, check office, pick up mail, attend mediation,	11.00	\$43.00	\$473.00
<b>TOTAL</b>			<b>72.44</b>	<b>43</b>	<b>\$3,114.64</b>

- Some of the work activities should be performed by volunteers for the District. The District has a Finance Committee and a Park Committee. These residents are volunteering their time for the benefit of the District and Tomales Village. These volunteers could be utilized to perform some of the work presently performed by the General Manager such as picking up the mail, checking the conditions at the park, scanning files, contacting other Districts regarding the District computer survey, collecting data for the District website, etc.

Altogether, the Matrix Consulting Group does not believe that the day-to-day workload for management of the District requires a full-time General Manager. The full-time General Manager does reflect a level of service, in terms of management, that the District has chosen to purchase in the past. It was merited in the past to assist in the remediation of the infrastructure problems that the District suffered when it assumed the assets from the North Marin Water District. That is no longer the case.

The District should reduce the extent of hours budgeted for the General Manager for fiscal year 2015-16 to no more than 16 hours a week. That reduction must be accompanied by the outsourcing of bookkeeping for the District.

In addition, the District is paying the health care benefits for the General Manager. True independent contractors will finance their own benefits. If the District wishes to enable the General Manager to obtain health insurance as part of the District's compensation, it should increase his salary, and not show health insurance as a line item in the budget.

**Recommendation #33: The District should reduce the extent of hours budgeted for the General Manager for fiscal year 2015-16 to no more than 16 hours a week. That reduction must be accompanied by the outsourcing of bookkeeping for the District.**

**Recommendation #34: If the District wishes to enable the General Manager to obtain health insurance as part of the District's compensation, it should increase his salary, and not show health insurance as a line item in the budget.**

**15. THE DISTRICT SHOULD PROACTIVELY SEEK PROPOSALS FOR MANAGEMENT AND OPERATION OF THE WASTEWATER TREATMENT PLANT.**

The District has already issued a Request for Proposal for operation and maintenance of its wastewater treatment plant. The proposals are due in May 2015.

At the same time, the County of Napa / Lake Berryessa and Napa Berryessa Resort Improvement Districts are soliciting proposals from qualified firms experienced in the business of operating, maintaining, and managing water and wastewater treatment and conveyance facilities. The proposals, which were issued on March 3, 2015, are due on April 10, 2015.

The District should contact the Napa County Public Works Department to determine which firms have downloaded the County's Request for Proposal and contact these firms, provide these firms with the District's Request for Proposal for operation and maintenance of its wastewater treatment plant, and request that the firms submit proposals. The District, in contacting these firms, should clearly state that it has issued the Request for Proposals **not** to cut costs, but because the District has contracted with Phillips and Associates for over five years without other competitive proposals during that time.

The existing Request for Proposals for operation and maintenance of the District's wastewater treatment plant does not ask the proposer to indicate the number of hours that the proposer will spend on site at the District's treatment plant on a weekly basis. The existing contractor spends only one day a week. The District should issue an addendum to the Request for Proposals requesting proposers to indicate the frequency

that the proposer would spend on site and the number of hours weekly that the proposer would spend on site operating and maintaining the wastewater treatment plant.

In addition, the Request for Proposals does contain a contradiction. Section 5.3.3. states that the “Contractor will develop and provide a systematic maintenance program, which comply with the Operations and Maintenance Manuals, equipment manufacturers recommendations or best industry practice; whichever Contractor believes most appropriate.” However, Section 5.3.5 states that the “Contractor will operate and maintain the Facility at a minimum in accordance to the Operations and Maintenance Manual.”

The existing maintenance log utilized by the current contractor does not provide evidence that the contractor is following appropriate maintenance practices for the lift station as indicated in the Operations and Maintenance Manual (e.g., pumping and cleaning out the wet well, inspection of the pump impeller, inspection of check valves, cleaning of float valves, etc.). A similar problem exists for the treatment plant. A maintenance log has been developed, but it does not reflect the Operations and Maintenance Manual procedures required for the preventive maintenance of the treatment plant. For example, for the comminutor, it requires:

- Weekly cleaning and inspection, clearing of plastics, checking the oil level, and ensuring that there are no unusual noises; and
- Quarterly changing the oil.

If the District expects the contractor responsible for operation and maintenance of the wastewater treatment plant to adhere to the Operations and Maintenance Manual, the District should resolve the discrepancy between Section 5.3.3 and Section 5.3.5 of the Request for Proposals by issuing an addendum. The District should then work with

the contractor after award of the contract to revise the maintenance logs to reflect the requirements of the Operations and Maintenance Manuals.

**Recommendation #35:** The District should contact the Napa County Public Works Department to determine which firms have downloaded the County's Request for Proposal and contact these firms, provide these firms with the District's Request for Proposal for operation and maintenance of its wastewater treatment plant, and request that the firms submit proposals.

**Recommendation #36:** The District, in contacting these firms, should clearly state that it has issued the Request for Proposals not to cut costs, but because the District has contracted with Phillips and Associates for over five years without other competitive proposals during that time.

**Recommendation #37:** The District should issue an addendum to the Request for Proposals requesting proposers to indicate the frequency that the proposer would spend on site and the number of hours weekly that the proposer would spend on site operating and maintaining the wastewater treatment plant.

**Recommendation #38:** If the District expects the contractor responsible for operation and maintenance of the wastewater treatment plant to adhere to the Operations and Maintenance Manuals for the plant and lift station, the District should resolve the discrepancy between Section 5.3.3 and Section 5.3.5 of the Request for Proposals by issuing an addendum. The District should then work with the contractor after award of the contract to revise the maintenance logs to reflect the requirements of the Operations and Maintenance Manuals.

## **8. ANALYSIS OF LONG-RANGE PLANNING**

One of the tenets of effective utility management, as defined by six utility professional associations (e.g., Water Environment Federation, National Association of Water Companies, American Public Works Association, etc.) was (1) anticipating and avoiding problems, (2) proactively identifying, assessing, establishing tolerance levels for, and effectively managing a full range of business risks (including legal, regulatory, financial, environmental, safety, security, and natural disaster-related) in a proactive way consistent with industry trends and system reliability goals.<sup>8</sup>

This requires that the District update its strategic plan to set direction and priorities, to get the Tomales Village community working on the same page as it pertains to the District, to simplify decision making (since the decisions would be guided by the strategic plan), to drive alignment, and to communicate the District's message to the Tomales Village community.

### **1. THE DISTRICT SHOULD DEVELOP AND ADOPT AN UPDATED STRATEGIC PLAN.**

The District adopted a five-year strategic plan in 2011. The plan included a number of action plans as noted below.

<b>Action Plan – Year 1</b>	
1.	Create Finance Committee to provide oversight, analyze budget and current revenues, expenses, and identify relevant "Best Practices".
2.	Increase revenue and decrease expenses.
3.	Develop permanent statement in newsletter & website describing procedure to address concerns and questions.
4.	Develop financial fact sheet to educate all ratepayers.
5.	Complete contract and open bids for system operator.
6.	Advertise park availability by next newsletter.
7.	Obtain permanent spot on Town Hall newsletter.
8.	Conduct survey to determine community wants, needs, and interest in volunteering.

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<sup>8</sup> Effective Utility Management: A Primer for Water and Wastewater Utilities, Effective Utility Management Collaborating Organizations, 2008

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Action Plan – Year 1	
9.	Develop financial, legal, technical Advisory Group to tap local expertise and interest.
10.	Post rate schedule.
Action Plan – Year 2	
1.	Investigate repair of collection system
2.	Outreach via newsletter, community letters, and information meetings.
3.	Revise and renew mission statement.
4.	Create TVCSD policy manual.
5.	Address and resolve legal structure of TVCSD.
6.	Educate broader community that Tomales citizens provide park financial support.
7.	Locate and enroll business sponsors for park.
Action Plan – Years 3 and beyond	
1.	Create Park Committee to assist with ongoing management and maintenance needs
2.	Remove gorse from park
3.	Establish annual tour of plant; contact SUSD

This plan is now four years old. It is time to initiate an update of the plan. However, before that update begins, the Board of Directors should direct the General Manager to prepare a report regarding the status of the implementation of the strategic plan. It is clear that some elements of the strategic plan have not been accomplished (e.g., address and resolve legal structure of TVCSD).

Why update the strategic plan? Any Board of Directors are often so preoccupied with immediate issues that they lose sight of their ultimate goals. In the real world of policy setting, a surfeit of activities fall under a Board’s responsibility, causing frequent lapses into a reactive mode in order to respond to the day-to-day demands of the community. It is critical that the Tomales Village Community Services District more proactive and strategic is important in the updating of the strategic pan using the best practices proposed below.

The District maintains and publishes a clearly written, multi-year (five years at a minimum) strategic plan to provide vision and direction for the District.
<p>In developing the strategic plan, the District:</p> <ul style="list-style-type: none"> <li>• Identifies and formally adopts a limited number (5 to 10) of priorities to guide the District’s strategies and major financial and program decisions;</li> <li>• Considers the impacts of the District’s financial condition, current expenditures, and opportunities to reallocate resources to enhance performance; and</li> </ul>

<ul style="list-style-type: none"><li>• Considers these priorities in making program and budget decisions.</li></ul>
The strategic plan clearly delineates the District's goals and the strategies for achieving the goals.
The plan also delineates the priorities the District assigns to its goals and strategies.
The goals in the strategic plan are output oriented, and the department has set strategies for achieving each goal
The District's goals and strategies are based on past performance, identified needs, and expenditures and revenues.
The strategic plan delineates who responsible for implementing the strategies in the plan and the time frames for implementation.
The Board of Directors annually assesses the progress the District has made toward achieving the goals and strategies in the plan.

In developing the strategic plan for the District, the Board of Directors should (1) identify the District's strengths, weaknesses, threats (e.g., aging infrastructure and limited revenue growth), and opportunities (e.g., cost reduction); (2) develop an updated vision and mission statement for the District; (3) define the goals and strategies the District will utilize to achieve the strategic plan; and (4) define the responsibilities for accomplishing those goals and strategies.

**Recommendation #39: The strategic plan for the District plan is now four years old. It is time to initiate an update of the plan.**

**Recommendation #40: However, before that update begins, the Board of Directors should direct the General Manager to prepare a report regarding the status of the implementation of the strategic plan. It is clear that some elements of the strategic plan have not been accomplished (e.g., address and resolve legal structure of TVCSD).**