

## **TOMALES VILLAGE COMMUNITY SERVICES DISTRICT BOARD MEETING**

Minutes of Meeting held Wednesday January 12th, 2011

**Board Members Present:** Eric Knudsen, Bill Tucker, Patty Oku, Hope Sturges

**Board Members Absent:** Walter Earle

**Also Present:** Karl Drexel, Administrator

## **FINAL**

**Call to Order:** Bill Tucker called the meeting open to the public at 6:01pm.

**Also Present:** Paul Duffey, Terry Duffey, Bruce Bramson

**Open Communication:** Thank you to Karl Drexel for receiving award for TVCSD.

**Additions, corrections, and approval of the December 8<sup>th</sup>, 2010 board meeting minutes:** **Patty Oku made a motion to accept the December 8<sup>th</sup>, 2010 meeting minutes based on that they are amended as follows on page 2 under A. Grant Writing: Prop 40 and Land & Water Conservation Seconded by Eric Knudsen. 3 ayes, 0 nays, 1 absent.** Terry Duffy asked if the final grant payments would reimburse the sewer loan of nearly \$20,000 that the park borrowed. The administrator stated the grants will not repay the full amount and that he is looking for grants to rebuild the reserves.

**Election of Officers:** Election tabled until next month.

**Financial Report:**

**Eric Knudsen made a motion to accept payments, approve expenditures, and accept financial statements. Patty Oku seconded it. 3 ayes, 0 nays, 1 absent**

**Final Audit Financial Report:** General questions were asked of Mrs. Sue Gorenson, the auditor of our districts recent audit. Hope Sturges asked about material weakness and what the paragraphs inferred on page 23 of the audit. The auditor replied that the paragraphs mean that she looked at and gained an understanding of internal controls, looked to see if there were any significant problems, saw that there weren't any, and that an example of a material weakness would be if the administrator did everything and did not report to the Board. She stated a significant deficiency would be if the administrator reported some things but not all. The administrator stated he submits to the auditor the districts quick books, documents, checks, meeting agendas, and the minutes for the last year. The auditor stated that the administrator lets her know things that need to be changed because he does all the work in check register in quick books. For example they did together some journal entries to reclassify current debt in accordance to amortization schedules. She stated they did some journal entries adjusting depreciation, and long term and short term. She stated the administrator not doing journal entries himself is an internal control. She said the administrator was newly required this year to complete the Management Discussion and Analysis portion of the audit. Eric Knudsen asked why under future projections in the audit on page 4, 2/3 way down it states that the district needs to raise rates 5% per year for the next several years. The auditor stated that on page 11 and 12 shows that the district has a cash operating loss. She recommended the board come up with a plan to increase operating reserves. Bill Tucker asked the administrator if he had a timeline when the district would be operating on a normal budget without capital improvement projects. The administrator stated that the sewer system is completed and in operation. On the request of Eric Knudsen it was determined that a rate increase of around 0.5% would be needed alone to balance the current operating loss of \$36,000. The administrator stated 3 things are critical: 1. Is that the \$36,000 depreciation will double at the end of this year because over \$1,000,000 worth of improvements this last year has not been depreciated yet. 2: The State Water Board now requires that our operating expenses be covered strictly by operating income which includes depreciation, not offset by grants or other sources as the district has done the last 10 years. 3: The State is also now requiring a Sewer Management Plan where an accountant or engineer come in and determine the life expectancy of all the moving parts everything in the system and project it over the life of that system. The district is then required to build up a reserve for that system. That is where a necessary

future 5% rate increase comes from. For example, the life expectancy of the collection system and the pond liner is 50 years, the computer system that controls operations is 4 years, and the pumps at the irrigation field and at the plant are 20 years. We do have in place a line item depreciation of all equipment the district has in the form of a depreciation schedule. The auditor stated we not only need to look at depreciation, but developing our cash reserves. Karl stated we have had needed the engineer for a couple years now. The auditor stated that the rule of thumb is to have six months of cash operating expenses available at all times in reserve. Karl stated that we do have six months available to us. The auditor stated that those reserves are being used by other things as well, but that our reserves are adequate. Terry Duffy asked the auditor what a material misstatement was in reference to on page one of the audit. She stated as an auditor they do not look at everything, and they do not agree on everything down to the penny. A materiality level is determined. Things under \$25,000 are not looked at as closely. In our case total assets are used to come up with the materiality level. She uses a blend of total assets and total revenue to come up with materiality. The materiality she came up with for our audit was \$25,000. Control she feels we should have is the administrator and Board members each get sent individual bank statements. Patty Oku stated it is that way already and she gets them mailed to her and she goes over them and reconciles them every month. The auditor stated that our meeting minutes are important for legal and liability reasons. She stated she thought minutes could be safely saved as .pdf files electronically as well as in paper. Patty Oku asked the auditor whether there was any value in splitting up the administrator/treasurer/secretary position that Karl Drexel currently fills now. The auditor replied that as administrator is currently functioning as an accountant and that Patty Oku going over and reconciling the bank statements is acting like a treasurer and is good enough control. She stated if we got a treasurer it would not be that different other than we have a non voting treasurer. She and the administrator stated that it was unclear whether the law states whether the treasurer can be a voting treasurer, and be on the board or not.

**Phillips and Associates Report:** Nothing to report.

#### **Committee Reports**

**Newsletter Committee:** Nothing to Report

**Fundraising Committee:** Silent auction was discussed abalone dinner for four the website could be utilized. Maybe people in community would be interested in donating art, services, or hotel or vacation rental stays. Patty stated she would be willing to be a head of an ad hoc committee to solicit potential donors for an auction. Eric volunteered to be the other person. The district has to raise a minimum of \$1500.00 every year for the park alone for PG&E and paper products, not including any repairs or capital improvement products. Bill Tucker mentioned Giants tickets would be a good silent auction item, Patty Oku stated she has 49er tickets. The need for the book sale was brought up and fundraising party possibly in May at the park with maybe drawings at that time.

**Community Advisory Committee:** Nothing to report.

**Mosquito Committee:** Nothing to report.

**Job Description Committee:** The administrators' job description was accepted last month by a majority vote. Patty Oku stated they wanted to work on possibly an administrator contract and policy and procedures manual. It was decided to change the name of this committee to Policy Committee.

#### **Pending Business**

##### **A. Grant Writing:**

**Community Development Block Grants:** Hearings that typically occur in January have not be scheduled yet to approve the submitted block grant for 2010-11 for park.

**Prop 40 and the Land and Water Conservation program:** As last month, the request for final portions of these grants has been submitted for the park, is still in the processing stage in Sacramento, and an inspection of park is still required.

**B. Capital Improvement Projects**

**Park Project Status:** Completion of transfer platform has been impeded by the rain.

**C. Sass property:** nothing to report

**D. Clean Renewable Energy Bonds/Solar project:** Waiting for alarm system to be installed. SUSD is still using their rain gauges but the district could use their information of Mr. Gregorius'.

**E. IRS** Request for determination letter Maria Tritch approved the district as a nonprofit as an affiliate of a government agency we are not required to file a 990.

**F. Office Space** The use of Diekman's office space was put on hold, fixing up plant as office was discussed. The reason for having a office was questioned as well as the cost. Office space will be taken off agenda for time being.

**G. TVCSD Web Site** The administrator is working on having a website. The districts domain name is tomalescsd.ca.gov, but it is not up and running yet.

**H. SB90** The Administrator submitted a request for funding from Brown Act reimbursements and LAFCO reimbursements. The District has received \$5000 from LAFCO to be paid over a 4 year period and have not received anything from Brown Act reimbursement yet. The administrator is also requesting from county council what specifically can be used for.

**I. LAFCO Elections** Hope Sturges made a motion to nominate Pamela Meags Patty Oku seconded it .3 Ayes,0 ayes, 1 Absent

**J. Complaints and Correspondence from Customers:** Letter from John Ward was discussed by line item. Board members embraced the idea of developing a five year plan strategic plan and will work on getting together for a series of meetings for an hour to come up with a five year plan. We have ratified and defined the current job description of administrator last month. Terry Duffy stated that the administrators' job should be half time, as it originally was, now that capital improvement projects are finishing. Patty Oku stated that she thought it is not out of the question for the administrator to be 1/2 time at some point. In the future the board will evaluate it, and a five year plan would be a good place to start, but as of now it takes a lot of work to fend off the endless monthly attacks from entities wanting money or harassing the district in some shape or form. Terry Duffy stated Phillips and Associates said it was a 1/2 time job. Patty Oku stated she would like to see a current bid of theirs, and if they are aware of the governmental scrutiny involved. Eric Knudsen stated that there is more government and technical involvement than before. We discussed having a bookkeeper or CPA as secretary/ treasurer nonvoting member of the board. It was decided to pursue and look at the need for an independent treasurer in the 5 Year plan and to call Melinda Bell of Dillon Beach, see what her services include, and for how much. We have addressed having an office for months and have found it to be too costly at this time and its purpose unknown. It was dually noted that funds from sewer loaned to park has to be paid back. The Board is already working on fundraising for the park to reimburse the sewer funds. TVSCD Board members have never been paid or have received stipends, and are strictly volunteer.

**New Business:** nothing to report

**Administrators Report:** Nothing to report.

**Meeting adjourned at 8:30pm. Next Meeting February 9th, 2011 at 6pm**

**Minutes Submitted by Hope Sturges, Board Member**



February 9, 2011

Approved

Date