

SAN MIGUEL COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS
NOVEMBER 21st, 2019 SPECIAL MEETING MINUTES

MEETING HELD AT DISTRICT OFFICES
1150 MISSION STREET
SAN MIGUEL, CA 93451

- I.** Meeting Called to Order by President Green – 6:30 P.M.
- II.** Pledge of Allegiance lead by Director Kalvans.
- III. Roll Call:** Directors Present: Green, Palafox, Kalvans, Sangster, Parent
District Staff in attendance: Rob Roberson, Tamara Parent, Kelly Dodds, Paola Freeman, Scott Young, District General Counsel Seikaly
- IV. Adoption of Regular Meeting Agenda:**
- Motion by Director Kalvans to move item 3 to item 1 and add Board Comment before Consent Calendar.
- Seconded by Director Sangster Motion was approved by Vote of 5 AYES and 0 NOES and 0 ABSENT
- V. ADJOURN TO CLOSED SESSION:**
Closed Session convened at 6:35 p.m.
- A. CLOSED SESSION AGENDA:**
- 1. CONFERENCE WITH LABOR NEGOTIATORS** (Pursuant to Government Code Section 54954.5(f) and Government Code Section 54957.6)
Unrepresented Bargaining Units: Non-Management Non-Confidential Unit and Non-Management Confidential Unit
 - 2. CONFERENCE WITH DISTRICT GENERAL COUNSEL-ANTICIPATED LITIGATION** Initiation of litigation pursuant to paragraph (4) of subdivision (d) of Section 54956.9:
- VI. Call to Order for Regular Board Meeting/Report out of Closed Session: 7:00 P.M.**
Report out of closed session by Director Green. Direction was given to staff.
- VII. Public Comment and Communications for matters not on the Agenda:** Laverne Buckman, San Miguel resident voiced her frustration with the large agendas and

explained how it is too much to read, but it is so very important for the Board to read all the agenda packet.

VIII. Special Presentations/Public Hearings/Other: None

IX. STAFF & COMMITTEE REPORTS:

1. San Luis Obispo County Sheriff No Report
2. San Luis Obispo County Board of Supervisors No Report
3. San Luis Obispo County Planning and/or Public Works No Report
4. San Miguel Area Advisory Council No Report
5. Camp Roberts—Army National Guard No Report
6. **Interim General Manager:** Interim General Manager/ Fire Chief Rob Roberson, explained that Alex from Moss Levy & Hartzheim will be here to present the findings and answers any questions the District Board of Directors may have on the FY 18-19 Audit. The District staff have been working on the District's Midyear Budget Adjustment and will be brought to the Board at the December Meeting. The Board Clerk is obtaining bids for translation services in 5 languages to comply with SB998 by April 2020. The estimated cost is around \$4000 dollars. This is a mandatory service for compliance. Our Board Clerk attended a CSDA Board Secretary Conference and has learned things to improve the operations of the District. Interim General Manager/ Fire Chief Rob Roberson, explained an MOU is being drafted for the Board and SMEA's review. Congratulations to our Utility Worker who has passed his Grade 1 Wastewater exam.
Board Comment: None
Public Comments: None
7. **District General Counsel:** None
Board Comments: None
Public Comments: None
8. **District Engineer:** Written report submitted as-is. Dr. Blaine Reely was not in attendance and Director of Utilities Kelly Dodds asked for any questions.
Board Comments: None
Public Comment: None
9. **Director of Utilities:** Written report submitted as-is. Director of Utilities Kelly Dodds asked for any questions.
Board Comment: Director Kalvans asked for an update of Landscaping, and when it would be coming back to the Board. Director of Utilities Kelly Dodds explained hoping for December.
 Director Green asked about rain totals. No measurable rain.
Public Comments: None
10. **Fire Chief:** Written report submitted as-is. Fire Chief Rob Roberson voiced that he would take any questions but informed the Board of Directors that the Fire Department will be bringing a purchase request for AED to the Board for approval in December.
Board Comments: None
Public Comment: None

BOARD COMMENT: *(added per agenda approval)* Director Kalvans asked that an item be added to the next meeting about CSD facilities needs. Agendize discussion regarding California Energy Commission 2010 Study for the time of use for Utilities. Agendize item for discussion on land Value Tax. Agendize discussion on a digester energy system.

Board Comment: asked about Community needs, and clarification that it is community needs regarding CSD jurisdiction.

X. CONSENT ITEMS:

Director Sangster pulled item 1-A

1. Review and Approve Board Meeting Minutes

a) 10-24-2018 - Regular Board Meeting

Board Comment: Director Sangster asked for clarification of action item 3 and asked about RFP. Director of Utilities Kelly Dodds explained it was done sole source due to the extensive knowledge of the project and District by the District Engineer.

Spelling amendments: Page 25 item 3 amend well to while, and Page 28 item 9 from 6 Feet to 6 Inches.

Public Comment: None

Motion by Director Sangster to Approve Consent Item 1.A as amended

Seconded by Director Kalvans. Motion was approved by Vote of 5 AYES and 0 NOES and 0 ABSENT and 0 Abstained.

2. Review and approve RESOLUTION 2019-36 adopting job descriptions and pay rate for utility operator positions.

Board Comment: None

Public Comment: None

Motion by Director Parent to Approve Consent Item 2

Seconded by Director Palafox. Motion was approved by Vote of 5 AYES and 0 NOES and 0 ABSENT.

XI. BOARD ACTION ITEMS:

- 1. Review and discuss previously adopted Resolution 2018-19 which adopted new property-related fees for water and wastewater services (passed on June 28, 2018, after Prop 218).** *Previously item 3.* Item was presented by Director Green voicing that the majority of the Board Members at the time were under the impression that the step increases would come back to the Board. District Counsel Fuller informed the Board that the staff was following state law and following the five-year implementation but explained that the Board could move to direct staff to bring back before implementation.

Interim General Manager/ Fire Chief Rob Roberson explained that staff was following the Prop 218 and Rate Study and explained that it is an accumulation of funds to get the District to where it needs to be financially. Director of Utilities Kelly Dodds explained that the rate increase is brought to the board in the May report and in June with the budget review. Discussion ensued about needing an annual report for the needs of the District.

Board Comment: Director Sangster agrees with having the increases brought to the Board before implementation and explained that it would be presented and would see where the Utilities are at that time financially.

Director Green voiced that he would be looking at the step increases for Sewer; Volumetric charges.

Director Green explained that the residence of San Miguel has been spoiled by the long-time low cost of water and sewer.

Director Green asked District General Counsel if there needed to be a vote or just direction to staff. District General Counsel Fuller voiced that it was just staff direction.

Director Kalvans voiced that is why he had asked to look into changing to a new usage charges rate structure. District Counsel Fuller voiced that it would have to be a Prop 218, to change.

Public Comment: Owen Davis explained that he did not like that he got charged for sewer the same cost as a residence that has more people living in that residence. Discussion ensued about a Usage Rate.

The Consensus of the Board is to have Staff bring back all new fees for water and wastewater services increases for discussion to the Board of Directors before implementation.

2. Review, Discuss, Receive and File the Enumeration of Financial Report for October 2019. *Previously item 1*

- A. Claims Detail Report
- B. Statement of Revenue Budget vs Actuals
- C. Rev Budget vs Actual Summary
- D. Statement of Expenditures Budget vs Actual
- E. Cash Report

Item was presented by Interim General Manager/ Fire Chief Rob Roberson and Paola Freeman, San Miguel Bookkeeper asking for any questions.

Board Comment: Director Sangster asked about the Legal Fee and asked why they are up this month. Bookkeeper, Paola Freeman voiced that the District Interim General Manager was out of town and it was processed after he returned. September was \$12,553.00 and October was \$11,155.00 Director Sangster voiced that it still doesn't add up to the \$33,807.00.

Director Parent voiced that the labeling shows it as August and then it says Professional serviced through August 31, 2019, but all the dates in the breakdown read September 2019 on Page 2 of 15 on Claims Detail report. Bookkeeper Freeman expressed that she would fix that and was trying to catch up. Director Parent asked for clarification and asked if it was just a typo and should read through August and through September. Mrs. Freeman

explained that yea, that what it should read, and with Interim General Manager out of town things got behind. (Page 52). Director Sangster asked what was paid out and asked if he was correct that is was \$9,465.00 and \$20,122.00 paid to District General Counsel.

Public Comment: Laverne Buckman, San Miguel resident asked about (page 76) October cash report, and the labeling of Bank Water Projects -6598 in every category except Wastewater and asked if she was correct that it was for the inter-fund transfer. Interim General Manager/ Fire Chief Rob Roberson explained that the label is incorrect and should read Budget/Operational Reserve not Water Projects. Discussion ensued about Cantella investments and how he doesn't see where the money has come back from the buy out from Lighting. Interim General Manager/ Fire Chief Rob Roberson voiced for clarification that no inter-fund transfer was ever made. Director of Utilities Kelly Dodds explained that the 6598 she sees is in Fire is from the Fires Fund operating money for \$187,000.00 in operating cash for reserve. Water and Wastewater have no reserve and that is why you don't see it in those funds. Interim General Manager/ Fire Chief Rob Roberson explained that it is separated into funds.

Board Comment: Director Green asked where it shows the lighting fund bought out the rest of the funds. Interim General Manager/ Fire Chief Rob Roberson explained that he has been able to follow the transfer out, but the CPA has explained that it is all in the JV's but doesn't see where it has been moved back into operational cash in those funds. Bookkeeper, Paola Freeman explained that it is moved through JV's and it is a Debit/Credit issue. Director Sangster voiced that it should still show in the financials. Discussion ensued about needing a clear transfer, and Interim General Manager/ Fire Chief Rob Roberson has questions also and will need to get clarification.

Director Parent asked why there was a three-way split with water/sewer/fire for new servers and asked for clarifications on why Fire has an equal split and the question was asked why Lighting and Solid Waste have no cost. Director of Utilities Kelly Dodds explained that Lighting and Solid Waste use no space on the server and that the split was based on the approved Resolution for the purchase of the server. Based on the planned use of the server, we will have mirrored servers. Discussion ensued about the server locations and use.

Director Kalvans thanked the Director of Utilities Kelly Dodds for the answer but wanted to know why the District Bookkeeper was not answering these questions and asked who is making these decisions. Director of Utilities Kelly Dodds explained that in this case it was brought to the board by resolution 2019-31 for cost split in an Action item.

Motion by Director Sangster to Approve Receive and File the Enumeration of Financial Report for October 2018 with the need for JV's and labeling corrections and dates corrected on the Churchwellwhite invoices before filing.

Seconded by Director Kalvans, Motion was approved by Vote of 5 AYES and 0 NOES and 0 ABSENT.

3. **Review and approve Resolution 2019-39 approving the FY 2018-19 independent audit report by Moss Levy Hartzheim and authorizing the filing of the report to the State of California and County of San Luis Obispo County Clerk's office** *Previously item 3.* Item presented by Interim General Manager/ Fire Chief Rob Roberson presenting Alex Hom from Moss, Levy, and Hartzheim to answer any question regarding FY2018-

19 District Audit. Mr. Hom voiced that he gave the District a “Modified Clean Opinion”. No new accounting announcements. Mr. Hom voiced that the District staff and CPA have been very helpful and that finishing three District Audits in two years is quite an accomplishment. The District has come a long way and wanted to thank the District CPA and Bookkeeper.

Interim General Manager/ Fire Chief Rob Roberson voiced that there is no Management letter because there are no changes needed, Auditor Hom agreed.

Board Comments: Director Parent asked where the bottom line is in the Audit documentation. District Auditor Hom, voiced that if the Board wanted to see what each fund is doing at the fiscal year-end, then see Page 8 – Fire fund was given as an example. Mr. Hom explained that Governmental Accounting is very short-term view and this audit shows everything for that one year. Water and Sewer is an enterprise funds and based on fees and normal accrual accounting is used. Director Parent asked if that was the net position? Mr. Hom explained that the “Net Position” is assets over liabilities. Rev exp in the long term the best place to look to see how those funds are doing is the Cashflow; pages 12 and 13. Director Parent thanked Alex for being here, and for helping him understand.

Director Green asked if there is any way to tell if there is a way to see where the embezzled funds were taken from, and if there is anything that he sees for this Fiscal Year. District Auditor Hom explained that it was done through ACH payroll for FY 2015 and if the bank account were reconciled then, the Board would have known. Discussion ensued about previous Interim General Manager Gentry. Discussion ensued with the Interim General Manager/ Fire Chief Rob Roberson explaining that the Bank Accounts are being reconciled monthly and the Board of Directors see the reports every month. Director Green voiced that it is very difficult to be a Board member and to do our job with only getting the information that is given and the system is set up to fail.

Bookkeeper Paola Freeman explained that is why you need an outside source to check the monthly financials. Discussion ensued.

Staff Comment: District Bookkeeper Paola Freeman asked Mr. Hom to explain where to find what the amount of water fund is in deficit. Mr. Hom explained page 10, cash & investments \$52,534.00 dollars, and look at Restricted for Capital expansion \$578,972.00 dollars; water is essentially borrowing from the Restricted for Capital expansion monies. Discussion ensued.

Public Comments: Laverne Buckman San Miguel Resident asked about pension, and if there is a place that shows what is needed, to coverage of those pensions. Mrs. Buckman explained the Audit just translates that fund, and there is a lot of money that needs to be put in that fund and asked if she was correct. District Auditor Hom explained that the numbers reflect if everyone working here is going to retire from here at 65 and live to 80. The county standards are to show that there are monies that need to be put away and can't be exact. District Auditor Hom explained that CALPERS is 70% funded and in the scheme of things that is pretty good. This is based on the current employees and there is no way to know if these employees will be staying till retirement and this is a projection.

Motion by Director Kalvans approve Resolution 2019-39 approving the FY 2018-19 independent audit report by Moss Levy Hartzheim and authorizing the filing of the report to the State of California and County of San Luis Obispo County Clerk's office

Seconded by Director Sangster, Motion approved by Vote of 5AYES and 0 NOES and 0 ABSENT.

- 4. Review and discuss District Purchasing Policies, Procedures and Regulations Governing Contract and Professional Service Bidding procedures, Purchases of Material, Supplies and Equipment Manual.** Item presented by Interim General Manager/ Fire Chief Rob Roberson explaining that this was brought for discussion per request for the Board of Directors. One in question is the CPA and the lack of a contract, she is currently working under an hourly rate for the specific task of Audits. The Audits are now done and voiced that he has had a discussion with District CPA and explained that the new scope of work will need to go out as an RFP before more work would be done. Interim General Manager/ Fire Chief Rob Roberson explained to the Board that having an outside source come in and check on the District financials every quarter is what is needed for the best practice of the District, and they should not be seeing her at the District office more than that.
- Board Comment:** Director Green voiced that when we send out an RFP, she will probably be the only one to respond anyways. Interim General Manager/ Fire Chief Rob Roberson explained that know that all the audits are done we should get a better response. Director Parent asked if there was a purchase order for the CPA services as stated in the Purchasing Policy? General Manager/ Fire Chief Rob Roberson explained that he would have to check and remembers having a document with her hourly rate only. Interim General Manager/ Fire Chief Rob Roberson explained that he will be making a purchase justification form, for anything under five-thousand dollars.
- Director Kalvans has a problem with the five-thousand dollars, voicing it is a split order issue and wants to make sure that doesn't happen. Discussion ensued.
- Director Palafox read aloud Section 4.0 second paragraph of the Purchasing Policy, that it explains as an example that the under five-thousand-dollar limit doesn't apply if "total estimated purchase is expected to exceed \$5,000 dollars" Discussion ensued. Interim General Manager/ Fire Chief Rob Roberson explained that he understands that they are talking about the ToughBooks; and explained the situation.
- Director Green asked that Section one could be read aloud. Interim General Manager/ Fire Chief Rob Roberson read aloud. Discussion ensued about "by" and the Interim General Manager has the only authority to purchase, and department heads get authorization from the General Manager.
- Director Green asked if all purchases are brought to the General Manager. Discussion ensued about how the Interim General Manager/ Fire Chief Rob Roberson reviews and approves purchases. A discussion about computer language was discussed.
- Director Green voiced what the Purchasing Policy reads about credit cards.

Director Sangster voiced that he understands that if a purchase is made with the District Credit Card and it is inappropriate, they will have to be billed for those items.

Director Kalvans voiced that the District has had issues in the past with Credit Cards.

The Claims detail goes to the board and the US bank claims monthly and if ever the Board of Directors feels that a purchase was made inappropriately then it is when the Board should speak up. The District staff scrutinized each bill for coding (funds/objects) Director Sangster addressed that the District Purchasing Policy is to promote fiscal responsibility in which the Board of Directors are responsible for the community's money; we are talking about transparency and accountability and we do get to review all purchases and doesn't see an issue with the Credit Cards. Director Sangster voiced that he does see a problem with seeing a clearly defined quotation and bid structures for Section 4 Purchase orders with totals over five-thousand dollars for non-professional services(acquisitions of supplies, equipment, and services). However, when we get to professional services there is no requirement for quotations or bids and states clearly that anything over twenty-five thousand dollars must come to the board but anything under that the Interim General Manager can sign off on. Director Sangster explained that technically we are within the policy but is it responsible, no it is not. Discussion ensued about District CPA and District Engineer.

Director Parent voiced that now that we know we are out of compliance, we need to have a purchase order at least.

Director Sangster voiced that Purchasing Policy reads that Purchase Orders greater than twenty-five-thousand will be awarded to the lowest bidder and feels that it should not be the lowest bidder but best value for the District. Discussion ensued. Director Sangster thinks that professional services should mirror the goods and non-professional services. District General Counsel Seikaly informed the Board that staff will be bringing an RFP process to the Board for approval in December or January.

Director Green voiced that he likes the best value wording. Discussion ensued.

District General Counsel Seikaly asked if staff would like their office to revise sections.

Director Sangster voiced that sections 5 and 6 need to be changed to have the same requirements.

Director Green voiced that interim General Manager/ Fire Chief Rob Roberson will make the changes and work with Director Sangster, then bring back to the Board for approval.

Director of Utilities Kelly Dodds explained that the Purchasing Policy is going to the District Counsel to add federal wording requirements for CBDG Grant Audit and asked if the Board would be okay with all the changes coming back at once.

Director Sangster voiced that he would like the Credit Cards inventoried as per Purchasing Policy states annually. Discussion ensued about Credit cards including gas cards.

Public Comment: Laverne Buckman San Miguel resident voiced that previously, the District had used credit card and has seen fraud. The Claims Detail shows the purchase made on the US Bank Cal-Cards and feels that the District is doing much better.

Consensus of the Board is to make changes with the Federal wording and sections discussed and be brought back to the Board for approval.

- 5. Review and discuss the San Miguel Community Services District Board Members' Handbook.** Item presented by General Manager/ Fire Chief Rob Roberson explaining that this item was brought forward due to the Board of Directors wanting to make changes to the process of the Agenda items.

Board Comment: Director Green voiced that he would like to have IX 1,2,3 changed to San Luis County and add Communities Services Organization. Director Green asked to have Employee Evaluations on closed sessions always. District General Counsel Seikaly explained that you have to have the position of the Employee Evaluation on the closed session agenda. Director Green voiced that he would like to have the Interim General Manager on the closed session for evaluation monthly.

Director Kalvans asked that there be a Board Comment at the beginning and end of agendas and would like to start having two Board Meetings a month. Discussion ensued. District General Counsel Seikaly voiced that she has never seen two board comment sections and would ask them to leave it as is, at end of the board meeting. Discussion ensued.

Public Comment: None

Consensus of the Board is to have IX 1,2,3 changed to San Luis County and add Communities Services Organization, and to add Employee evaluation – General Manager monthly on closed session.

- 6. Discuss immediate repairs needed at the Machado Wastewater Treatment Facility and potential costs and timeline.** Item presented Director of Utilities Kelly Dodds explained that they found a damaged liner with holes when they pulled the pump and cleaned out the pond. The pump is estimated at \$7,500 dollars and a liner repair of \$8,500 dollars.

Board Comment: Director Green asked about abandoning the pond. Director of Utilities Kelly Dodds explained that the Pond can not be abandoned due to need. He will try and find other prices and will bring back for approval. Discussion about the second Functional Space work session.

Public Comment: Owen Davis San Miguel Residence voiced that he would like to have the District use the easement and don't go through a residential area.

- 7. Discuss status of Machado Wastewater Treatment Facility expansion and aeration upgrade project** Item presented Director of Utilities Kelly Dodds, updating the board that the Wastewater Treatment Facility is in October is at average 73% of hydraulic design capacity and max day 86% of hydraulic design capacity. Mr. Dodds explained that the SRF grant \$250,000 should be coming in and is retroactive to 2017 for construction design.

Board Comment: Director Sangster asked District General Counsel Seikaly if he would need to recuse himself from the process of awarding the purchase of a system, because of his Cal Poly position and informed us that his team has just awarded Cloacina an RFP for a package plant. District General Counsel Seikaly inform Director Sangster that it was a workgroup that awarded the contract to Cloacina and he would not have to recuse himself but would make sure to asked and send out documentation for record.

Director Kalvans voiced that he wanted to thank the staff for the hard work that they are doing.

Staff Comment: Assistant Fire Chief Scott Young asked how and if the hydraulic capacity is changed do to the pond being down. Director of Utilities Kelly Dodds explained that the State is only allowing it to be down while being repaired due to the change in the treatment of the total effluent quality.

Public Comment: None

XII. BOARD COMMENT: The consensus of the Board is to have a second Functional Space Work Session to be held on December 12th at 6 P.M.

Director Green updated the public that he heard back from Supervisor Peschong and that he got back to him about a question that was asked by the public “what is the number of people that can live in a single family residence”, and in the absents of Health and Safety Code; California Supreme Court says that District can not limit occupancy, and single-family can be up to 16 people.

Director Green asked how long Mr. Roberson the Interim General Manager; has been Interim and feels that there should be a discussion about what his future plans will be. Discussion ensued. District General Counsel voiced that it would be more appropriate to discuss this topic in closed session.

Director Green voiced that he will not be Board President next year, and asked for no nominations.

XIII. ADJOURNMENT TO NEXT MEETING DECEMBER 12 & 19 2019: 9:52 P.M.