

TOMALES VILLAGE COMMUNITY SERVICES DISTRICT
SPECIAL BOARD MEETING with FINANCIAL ADVISORY COMMITTEE
Minutes of Meeting held December 3, 2012

Board Members Present: Walter Earle, Patty Oku, Hope Sturges, Sue Sims and Eric Knudsen
Board Members Absent: None
FAC Members Present: Deborah Parrish, Sue Sims
Staff Present: None
Staff Absent: Karl Drexel, Administrator

Also Present:

Donna Clavaud	Paul Duffey	Beth Koelker	Kendal Oku
Venta Leon	Bruce Bramson	John Tornes	Terry Duffey
Ted Anderson	Susan Rockrise	Margaret Graham	Alvin Duskin
Dru Fallon O'Neil	Nicole Vigeant	Chick Peterson	

Board President Walter Earle called the meeting to order at 6:05p.m.

Review and Discuss the Recommendations of the Financial Advisory Committee

Walter turned the floor over to Deborah Parrish and Sue Sims who had prepared a presentation for the Board. Deborah said she wanted to have a clear conversation about the things they had uncovered over the last half a year as a Finance Committee. The presentation started with the District's Mission Statement and Vision Statement, a brief history of the District and the goals and timeline of the Strategic Plan. Deborah discussed the benefits of an efficiency audit, which many of the districts had undertaken, and the separation of duties, which she said was common. She also mentioned that what they found was there was a common tendency for part-time administrative support as opposed to full time, and she said that was "across the board".

Deborah explained that the Financial Advisory Committee (FAC) had presented to the Board of Directors a list of five recommendations they would like to immediately enact, which they felt were "best practices". She then read the five recommendations, which are listed in the letter to the Board and made a copy of these minutes. Patty Oku also read the introduction of that same letter to the Board and audience, which requested "more transparency with regard to TVCSD Finances". She asked how the FAC recommends the Board provide more transparency when the District holds monthly public meetings and presents the districts financials to the public, hold multiple public meetings during the budget process and post the approved budget on the District's web site, and conduct public meetings with the District's auditor every year to review the yearly financials. On behalf of the FAC, Deborah stated that the Board could provide more transparency by implementing the five recommendations, and publishing the survey that the Ad Hoc committee prepared regarding other District's allocation of funds. She also emphasized that competitive bidding to get the right vendor at the right price, and they did not feel the District is paying the right price for administration of the District, provides more transparency. Discussion was held regarding jobs and tasks and how different districts pay less for bookkeeping and other administrative functions by having multiple people doing different tasks.

Deborah went on to say there are people out there that know how these districts should be run and have performed efficiency audits for our neighboring districts. She said we need to look at what do we need now in the way of administration and how should we be spending our money. And a policy needs to be in place to look at that every two or three years, because things change. It was suggested that vendors would probably not participate in a RFP process if they knew the RFP would be re-issued every two years. It would be better to have a RFP developed and maybe use it one time and then review the performance and needs every two or three years, but not put the position out to bid every two or three years.

From the charts presented by the FAC regarding other districts administrative costs a member of the audience said it appeared that the district was inefficient and that rather than worry about RFPs and competitive bidding, the District should ask these experts that the Committee has found what they would suggest to get us more efficient or if in fact there is a problem and if so where and how to resolve it.

Eric Knudsen suggested the discussion between the Board and the FAC address each of the five recommendations, one at a time. Deborah said that she had addressed item #1, the proper allocation of community funds, with the charts from the survey of other districts, which showed that Tomales was way out of line compared to other districts administrative costs. She continued to describe the five recommendations were interconnected, with the basis of the first recommendation the administrative costs compared to other districts and the rest of the recommendations stemmed from that. She suggested an efficiency audit might better help the Board and the committee determine where there are problems and how to fix them, rather than going through each recommendation step by step.

Members of the Board said they had questions regarding each recommendation and would like to address those questions. Eric mentioned that the first recommendation alluded to paying for repairs to the collection system in a few short years. He noted that collection system repairs is a major undertaking which cannot happen in a few short years, nor would the funds come from operational funds. Deborah mentioned that the loan payments for previous capital projects come from ratepayers. It was noted that a capital project as large as replacing the collection system would need to come from grants and that the loan that helped pay for the sewer reconstruction has already been paid in half. Deborah commented that if funds were freed up by reallocating the Administrators compensation, the loan could be paid down faster and/or reserves built up for future needs, which is a major concern of many people.

Patty Oku reminded everybody that Tomales has the smallest budget of all special districts in Marin County except for the few southern Marin agencies that are being forced to consolidate because of poor management and inefficiencies. She noted that although the agency sizes are not always comparable, there is a certain amount of work that has to be done by all agencies to run a district whether they are big or small and that she felt the TVCSD is operating efficiently and has a great reputation in the industry and with local and state government.

Eric also reminded the Board and committee that Karl has brought in over \$800,000 in grants, and whenever a project needs to be done, he looks for the savings to get the best job done at the least expense to the District. He said those savings have saved the District anywhere from \$258,000 to over \$312,000. It was determined that the discussion was getting off topic of Item #1 discussing the proper allocation of community funds. Susan Rockrise suggested that there maybe was a misunderstanding of the Administrator's job and that there needs to be better communication of what all he has done and continues to do. She felt the real issue is trust and that needs to be addressed. There were also comments about the discussion moving toward defense of the Administrator instead of looking at the issues being presented. Patty said she wanted to explain some of the important issues that weren't represented in the charts from the committee so the greater population would have a clearer picture. Alvin Duskin noted that anybody that can raise over \$800,000 in grants, it doesn't matter what portion of the operating expenses it is. Bruce Bramson said that the Administrator may have secured \$800,000 in grants over the last 12 years, but the District has paid him over \$900,000 in fees during that time. He said that the District could save a lot of money right there.

A question arose as to whether or not the committees salary survey took into consideration the administration of capital projects and did those agencies hire that job out or keep it in house and do the numbers reflect that. The committee noted that it might have, but that they did not ask that question. The survey was for the last year only. Margaret Graham mentioned that as a past board

member she recalls discussion of the Administrator's job changing when the capital projects were completed and that the idea of a separate bookkeeper was a good one, but the committee needs to investigate the costs and the Board needs to determine what they want from the Administrator.

Paul Duffey mentioned that the District can get an efficiency audit done for free by talking to various experts in the field without hiring an independent consultant. He noted that the community took the District's financials to Piseni and Brinker in 2010 and got an hour's worth of advice for free. He noted that Hank Brenard from Fortuna would come to Tomales for an efficiency audit for \$1200. Several people thought that would be money well spent.

Eric Knudsen moved on to another one of the recommendations of the Committee regarding hiring a "high level financial person who can add value and assure proper financial controls." He questioned the Committee with regard to the current Administrator's qualifications and why they thought he wasn't qualified. The Committee responded that the separation of duties was not because they thought he wasn't qualified, but rather to provide checks and balances. Alvin Duskin reminded the Board that their responsibility as a board was to hire a Chief Executive that understands the legal issue, financial issues, and all the issues, and allow him to administer the District. It is not the Board's responsibility to hire bookkeepers or any other staff. That is the responsibility of the Chief Executive. He also noted that if the District has an Administrator that can garner over \$800,000 in grants, the charts and graphs presented don't tell the whole story. He said the Board should not be opposed to putting the job out to competitive bidding to see if there is someone else out there that can get that kind of funding in grants and do the job for less, but you need to clarify what you want.

Deborah Parrish responded that there were hours and hours of research and interpretation of the numbers that the Committee is presenting and that they are as close to reality as possible and she is sure that all of the personnel represented by these figures is doing the same thing the Administrator does like going after grants and performing the same function. Patty offered to contact the various agencies the committee surveyed and see how they handle grant writing and capital improvement funding. Terry Duffey asked how that information would apply to the survey the Committee did. Alvin replied that the information will determine the skills of the managers and what the district will want to look for when they go out for competitive bidding. Terry noted that not all General Managers are grant writers, but rather they hire that job out as necessary, because they don't need to be writing grants on a regular basis. Patty said she would ask those that do what they pay and how often they use them.

Paul requested the Board put the issue of an efficiency audit on the January agenda and decide what type of study the District wants. What information they want, what questions they want to ask and who to use to do it. Kendal Oku recommended that before the District determines that Hank or anyone else is the person to do an efficiency audit, the district look at all of the alternatives and get several names. It was agreed to do so.

Donna Clavaud mentioned that she wanted to acknowledge the past Boards and current Board members for all of their hard work creating a model system and making it possible for the community to own its own system and the product that has been developed. She said we are fortunate to be able to have this conversation about the future of the community's assets.

Nicole Vigeant asked for clarification on the fifth recommendation. Eric read the recommendation regarding the Administrator being an employee or independent contractor. Eric noted the Myers Nave and County Counsel reviewed the proposed Administrator's contract, both of whom concluded that the Administrator was an independent contractor, and asked the Committee if after their responses they still felt that the Administrator was acting and being treated as a de facto employee. The consensus was that Item #5 had been dealt with.

Venta Leon commented that the real purpose of the recommendations from the Committee was to start the process of developing procedures to deal with the concerns and that it appears that is happening. She said the discussion about looking into a bookkeeper, having an efficiency audit conducted and the dealing with the independent contractor issue was a great start. Bruce Bramson also commented that the concerns of the Committee were not specifically directed at the Administrator's fees or the percentage of the operating budget, but the bigger picture of administrative and operating costs overall, and that an independent efficiency audit will determine any short comings. Patty said that although an efficiency audit was not one of the recommendations, she felt it was a "best practices" that everybody wants and she has been trying to get a hold of Hank and to also get the names of other experts. Terry noted the Hank Brenard is not only a water and wastewater operator, he does efficiency audits in both office efficiency and operations and maintenance.

Patty Oku made a motion to start the process to find a bookkeeper to assist the Administrator in basic financial matters. Discussion was held regarding having an efficiency audit performed prior to moving forward with hiring a bookkeeper. The motion was rescinded.

Adjourned at 8:20 PM

Next Meeting: January 9, 2013 6:00 PM.



Approved

January 9, 2013

Date