

**Minutes of the Regular Meeting of
the Board of Directors of the Aromas Water District
February 27, 2018**

- I. CALL TO ORDER.** The regular meeting of the Board of Directors of the Aromas Water District was called to order by President Smith on Tuesday, February 27, 2018 at 7:00 p.m. at the District office located at 388 Blohm Ave, Aromas, California.
- II. ROLL CALL.** President Smith, Vice President Holman and Directors Norton and Leap were present. Director Dutra was absent. Also in attendance were General Manager Robert Johnson, Counsel Bob Bosso and Board Secretary Louise Coombes.
- III. PLEDGE OF ALLEGIANCE.** Vice President Holman led the pledge of allegiance.
- IV. STATEMENTS OF DISQUALIFICATION.** There were no disqualification statements.
- V. ADDITIONS AND DELETIONS.** There were no additions or deletions to the Agenda.
- VI. MINUTES.** The minutes of the January 23, 2018 Board Meeting were presented for review and approval; there were no corrections or comments. Director Leap moved for approval of the minutes and Director Norton seconded. Minutes were approved unanimously with Director Dutra absent.
- VII. ORAL COMMUNICATION.** There were no public comments.

VIII. REPORTS/PRESENTATIONS

- A. Director's Reports.** Director Norton followed up with a report on the LAFCO Ad-Hoc Committee for assessing the need for a Special District Representative to San Benito County LAFCO. Referring to the letter from Bill Nicholson, Executive Director of San Benito County LAFCO, Directors Norton and Leap learned that there would be a financial obligation to the Aromas Water District (AWD) of approximately \$3-4,000, based on a proportional share of LAFCO's budget needs that would be shared with other Special Districts. A potentially negative implication is that should AWD have a LAFCO Representative, we would also share in LAFCO's liabilities. An advantage to AWD is that we would be in a stronger position to protect and assist in defining our sphere of influence under local developmental pressure. At this point in time, Directors Norton and Leap recommend that AWD take a watch position on the Special Districts process at LAFCO and report back if there is anything to report.
- B. Attorney's Report.** Counsel Bosso outlined a case in Ramona Water District where they are appealing against the ruling that an appearance in court, to protest at a Proposition 218 hearing, is not required to file a lawsuit challenging rates, which is contrary to the usual rule. Another recent case in Marin at the Trial Court level went the same way, so they will also probably appeal.

A second issue has recently come to light with regard to Section 218 (not to be confused with Proposition 218) of Social Security. When AWD joined the Social Security Program in 1978, it seems there was an exception for both part-time and elected staff, who would not be part of the program. However, quite the opposite has occurred since the original adoption of the program. Board Secretary Coombes' research revealed no amendment to the original Agreement. Counsel Bosso advised that there is a statute of limitations which means the issue would only date back three years; currently, that includes anything after April 15th, 2014. CalPERS are AWD's Social Security administrators and will be advising and assisting in the process of rectifying the issue over the next twelve to eighteen months. Since the Board, as the "elected legislative positions" do not participate in CalPERS, it is mandatory that they continue to make Social Security contributions and are therefore unaffected. Part-time staff will have the opportunity to vote either way which will result in the position being included or excluded for any future staff changes. Once voting is complete, the Board will have to adopt an "error modification" to realign with Section 218. Counsel Bosso believes that staff who have already retired should not be affected.

Vice President Holman enquired if Counsel Bosso has encountered the recent article from ACWA where a new regulation from the State Water Board may be coming into effect where the public cannot impede or obstruct water utility employees from their duties, particularly in the field. Director Norton commented that he too had seen a regulation where Special District Staff are empowered to define and police where water is being wasted independently of the penal code section. Counsel Bosso indicated that this will likely be reviewed in May, 2018.

The Board briefly discussed the potential ramifications of SB 623; Counsel Bosso reported that there was much division of opinion surrounding this Bill and AWD will continue to watch its progress.

Counsel Bosso mentioned he had noticed an article regarding a recent Bill introduced into legislature which prohibits shutting off water supply in cases of lack of payment. The time factor will stretch to sixty days instead of thirty, payment plans must be offered, and there are many exceptions where water cannot be turned off at all, for example, if an infant is living at the property, or if anyone over 65 who is reliant on a caregiver that lives on the property.

C. Manager's Report. See detailed report in agenda packet. Items highlighted include:

Production & Well Levels

GM Johnson commented that San Juan Well and Pleasant Acres well ran all 31 days in January; Carpenteria was off for only 5 days. Total production was just short of 4.9 million gallons. Well water measurements show Carpenteria well is up 1ft, whereas San Juan Well is down 1ft. Marshall well is down 2ft, and Aimee Meadows was down 4ft on January 18th, but the latest figure from PVWMA on Feb 26th is at 198.9ft, so back to the November level.

Operations

GM Johnson noted recent testing showed good news; no sign of iron and manganese in the water leaving the treatment plant, and no sign of coliform in all well samples.

Maintenance

GM Johnson noted nothing new to report.

Incidents

GM Johnson reported on the leak that occurred at Rose Avenue; a long asphalted driveway had a crack on a sloped section, out of which a stream of water was spurting. The leak was elusive and required a leak detection expert, but it was ultimately found and fixed; it was on AWD's side of the meter. A local outside contractor was utilized to reinstate the driveway to its original state.

Staff & Board Recognition

GM Johnson praised Chief Operator DeAlba on his assistance with sourcing electricians for the portable generator solution. More on this in *Projects-Backup Generator*.

ASO Coombes continues to work with AWD's Accountant to finalize a number of year end financial requirements as well as ensuring Form 700s for all Board, Counsel and relevant staff are completed.

AC Giron deftly balanced her duties whilst continuing to train CSR Gonzales, and work on certain accounting items with ASO Coombes.

During a recent staff meeting GM Johnson introduced the Seven Habits of Highly Effective People to establish the principles into AWD staff work culture.

In light of the recent shooting event, there was a discussion of the actions to take in the event of a threatening situation in the office.

Emergency Preparedness

GM Johnson reported that the research regarding backup generator continues (see further details in *Projects - Backup Generator*).

Drought & Conservation

GM Johnson noted the rain gauge is currently at 6.16", since .24" inches fell on February 26th.

PROJECTS

1. Oakridge Booster Station

The agreement with the customer, on whose property the Oakridge Booster is currently located, has been recorded. Preparations are still being made to make this power source independent of the property owner, but it could be 18 months or so before this plan reaches completion.

2. Backup Generator

GM Johnson reported that there was little consensus of opinion from each of the four electricians regarding the wattage required by the AWD office, so further research is required.

- D. Correspondence.** The monthly correspondence list was reviewed; GM Johnson drew attention to the the letter from SWRCB (dated 12.20.17) received after the last Board meeting. The letter details the required testing schedule for 1,2,3 Trichloropropane which should be completed at the end of each quarter, so testing will take place in both March and April to catch up with the quarterly cycle.

IX. ACTION ITEMS

- A. Presentation of the Audited Financials** - Chris Brown, one of the partners of Fedak & Brown, presented a summary of the Audited Financial Statements that will be filed with the State. The Auditor's opinion was that overall the audit went very well; all financial statements are presented fairly in all material regards as at June 30, 2017. Mr Brown reported that there were no material weaknesses found within AWDs' Internal Controls, with the caveat that previous auditing guidance was different, but is satisfactory considering those pronouncements appeared to have been correctly implemented.

The major change this year was the addition of Assessment District financials to the AWD financials. In prior years, AWD had not been recording the debt associated with the Assessment Districts within its main financial statements. With GASB61, it is necessary to incorporate those entities, essentially because decisions made by the AWD Board of Directors do have influence and control over the Assessment Districts which are part of the overall AWD system. Ultimately, the district is not responsible for the debt, it is simply included on the financial report to show the relationship of the financing source servicing the capital asset. The debt is offset by the corresponding property tax receivable, thereby the overall position does not affect the bottom line of the balance sheet, it just increases the gross on both sides and associated interest expense will also be offset by the interest revenue.

Unrestricted Net Worth needs to be monitored over the long term as it represents assets that the District has available to run its operation. Change in net position shows a negative amount of (\$241,675) and indicates AWD is not completely recouping costs related to the depreciation of assets. Similarly a negative amount (\$23,552) shown under Net decrease in cash and cash equivalents indicates a reduction of cash between last, and this, fiscal year. Smaller districts are commonly in this position and mitigation in the form of a rate increase is usually the solution.

A motion to approve and adopt the Audited Financial Statements as presented was made by Vice President Holman and seconded by Director Norton. The Audited Financial Statements were approved and adopted unanimously with Director Dutra absent.

- B. Presentation of Proposed District Expense Budget Revision.** The expense budget has been revised mid year to reapportion funds based on reality in the first half of the year. Despite customers

continuing to use water conservatively, an increase in both regular and bulk revenue totals \$84,100, thus increasing the total revenue annual projection to \$1,040,000. In Expenses, personnel changes during the year have increased gross payroll and employee costs. The PR Budget, which was expected to have been spent regarding SGMA, has been reduced. In summary, depreciation has been increased from \$175,000 to \$207,000 to follow along with audit recommendations and increase reserves to cover emergencies. Director Norton enquired how much of the increased revenue would be diverted to the Capital Budget? When the new rates were previously adopted, the long term intention was to build reserves to enable instigation of capital projects. He also suggested revisiting the capital budget to reassess the previous vision against reality, plus revise future projects, as the currently planned rate increases are approaching their end in June 2019.

President Smith indicated that this discussion had begun earlier at the Audit Committee meeting and there is a need to begin working on a new rate study in order to have adopted the next batch of rate increases ready for July 2019 onwards. Discussion ensued regarding workshops to brainstorm future strategic planning, budgeting, short and long term capital improvements and goals. The need to hire a consultant, before summer 2018, to perform a rate study was identified, however, this could be challenging considering the issue of the Proposition 218 tiered rates not been resolved.

A motion to approve and adopt the Revised Budget as presented was made by Director Norton and seconded by Director Leap. The Revised Budget was approved and adopted unanimously with Director Dutra absent.

C. Financial Reports for the Month of December 2017. Total Revenue was \$90,526.27; Total expenditures were \$72,558.06 between January 18, 2018 and February 21, 2018. GM Johnson drew the Board's attention to the Balance sheet, specifically the Total Other Current Assets where CFD 98-1 is no longer listed as it has recently closed out. On the Profit & Loss report, the actual figure for Water Revenue is higher than the projected YTD Budget by nearly \$87,000, and similarly bulk water sales are increased by almost \$4,000. Despite the recent incident at Rose Ave, the System Repair and Maintenance costs are still well under budget.

GM Johnson apprised the Board of a future very large bulk water sale to PG&E likely to begin in June probably for hydro-testing gas lines. The Board may wish to make a policy to provide a caveat to such supply, especially in summer when demand is generally high, so that if any well issues occur, the bulk water availability can be curtailed as necessary.

Director Norton proposed a motion to accept the Financial Reports as presented and seconded by Director Leap. The Financial Reports were unanimously approved with Director Dutra absent.

X. FUTURE MEETINGS & AGENDA ITEMS. The next meeting will be on Tuesday, March 27, 2018.

XI. ADJOURNMENT. Vice President Smith adjourned the meeting at 8:29 pm until March 27, 2018.

Read and approved by: Richard Smith
President, Richard Smith

Attest: Louise Coombes
Board Secretary, Louise Coombes

Date: 3/28/18

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