



## **FINANCE COMMITTEE**

### **REGULAR MEETING**

Thursday, August 9, 2018 - 9:00 AM to 12:00 PM  
2850 Burton Drive Cambria CA 93428

### **MINUTES**

#### **A. CALL TO ORDER**

Chairman Pierson called the meeting to order at 9:02 a.m.

#### **B. ESTABLISH QUORUM**

Committee members present: David Pierson, Ted Siegler, Dewayne Lee and Cindy Steidel.

Committee members absent: Amanda Rice.

Staff present: Interim Finance Manager Alleyne LaBossiere and Deputy District Clerk Haley Dodson.

Staff absent: General Manager Jerry Gruber and Administrative Services Officer/District Clerk Monique Madrid.

Public present:

Harry Farmer

Karen Dean

Mike Lyons

Crosby Swartz

Laura Swartz

Cheryl McDowell

Gordon Heinrichs

Paul Nugent

#### **C. CHAIRMAN'S REPORT**

There was no chairman's report.

#### **1. PUBLIC COMMENT**

Public Comment:

Laura Swartz: will the committee review the BRP financials on a future agenda?

Chairman Pierson responded yes.

## **2. CONSENT AGENDA**

### **A. Consideration to Approve the June 14, 2018 Regular Meeting Minutes**

Committee Member Lee moved to approve the regular meeting minutes.

Committee Member Steidel seconded the motion.

The motion was approved: 4-Ayes (Lee, Steidel, Pierson, Siegler), 0-Nays, 1-Absent (Rice)

## **3. REGULAR BUSINESS**

### **A. Review and Discuss the Calculations Used to Allocate Administration Overhead to the Other Departments and the Enterprise Funds**

Chairman Pierson introduced the item.

Interim Finance Manager Alleyne LaBossiere passed out two documents: CCSD Sources of Funds FY 2015/2016, 2016/2017, 2017/2018 and 2018/2019 (attached) and Summary of Sources and Uses of Funds FY 2015/2016, 2016/2017, 2017/2018 and 2018/2019 (attached).

Vice Chair Siegler stated there's one important purpose for allocations and that's to allocate a fair amount of overhead to enterprise funds, where cost is recovered through rates. He discussed costs in the general fund. There's no revenue created by allocating revenue and there's no expense by allocating overhead. The entire allocation should be eliminated on the revenue and expense line.

Mr. LaBossiere stated one of the changes you'll notice is it's not revenue. Loans and transfers are not revenue. Property taxes, water sales, etc. are revenue. This was called a revenue summary, but it wasn't a summary, it was an itemized list and was improper to use the word revenue for that.

Vice Chair Siegler stated the budget reports to date show twelve million dollars of inflow, but two million of that is fictitious. This creates an incorrect picture of what the agency is. It needs to be eliminated properly.

Mr. LaBossiere stated it shows the overhead.

Vice Chair Siegler responded it shows the overhead once. The expense isn't double counted. There is no recovery of the overhead expense within the government fund.

Mr. LaBossiere stated it's a source of funds by department. This is shown on a departmental level. Are you suggesting to not charge overhead to the other department?

Vice Chair Siegler responded yes, that's appropriate. When you combine the four departments and government fund, the allocation should be eliminated. It's important when we are trying to use these numbers for analytical purposes that we are not double counting and creating fictitious revenue.

Mr. LaBossiere stated I can easily take out the general fund net on the second page, but it's going to create a huge deficit in admin and the General Manager needs to approve this.

Vice Chair Siegler stated if you consolidate the government fund, you have a total of services and those don't get double counted. These roll ups would never have been acceptable at any organization I worked at.

Mr. LaBossiere responded he's done audited statements for years and the budget is not a financial statement. You're supposed to put the numbers in as accurately as possible. It can be removed from the net, but it would show an extra line. It's also clearly identified on the expenditure.

Chairman Pierson asked Mr. LaBossiere how close are we to getting a monthly financial statement?

Mr. LaBossiere responded that he will give a monthly financial report starting in September.

Public Comment:

Laura Swartz: allocated overhead needs to break out by each department so we know how much enterprise fund is costing us.

Chairman Pierson responded we will get there. It needs to be done in a fair manner, so no single enterprise fund or general fund gets overallocated.

Chairman Pierson asked the committee what to allocate for 18/19? He suggested using the 17/18 allocations: Fire 25%, F&R 6%, Parks and Recreation 4%, WW 25%, Water 25% and SWF 15%.

Vice Chair Siegler stated Amanda Rice committed to email the allocation information and it hasn't been included in the packet. He suggests district counsel and legal should be changed to L's. There's an administrative structure in the fire department. We can ask Tim how much time he spends on the fire department, but I expect it to be a low number.

Mr. LaBossiere responded to keep in mind that I need this ready Tuesday.

Public Comment

Harry Farmer: referenced legal counsel not spending too much time on fire. Where would you say legal counsel is spending most of their time and money? What department? What obligation?

Chairman Pierson responded water, wastewater and the SWF and the fact we are not issuing letters of intent. We are constantly being litigated on that issue.

Vice Chair Siegler stated he probably spent a lot of time on reports not being filed on time.

Public Comment:

Mike Lyons: on every CCSD agenda there's personnel matters. Is that under general administration?

Chairman Pierson responded that's under legal.

Vice Chair Siegler stated legal is always involved in labor negotiations, litigation and preparing for board meetings.

Public Comment:

Cheryl McDowell: a review of district counsel statements would be good to see where they apply the funds.

Mr. LaBossiere responded they are not broken out that way.

Public Comment:

Cheryl McDowell: ask district counsel to change it.

Mr. LaBossiere responded we will have to pay for that. This isn't going to happen by next Tuesday.

Public Comment:

Cheryl McDowell: do you break out auto insurance?

Mr. LaBossiere responded it's on one bill.

Chairman Pierson stated the only changes he has is moving district counsel and legal to both L's.

Mr. LaBossiere stated they are vacating a portion of the administrative office and the rent will go down.

Chairman Pierson responded to move that to "L".

Vice Chair Siegler stated that "L" tracks the way personnel is allocated.

Public Comment:

Karen Dean: asked about charges per unit for water and SWF.

Gordon Heinrich: is there a discount if the SWF isn't running. We are going to have good winters and not need it for 10 years. Where is that money going to go when we are getting charged two months out of the year?

Chairman Pierson responded that if we don't feel the SWF needs money, we don't need to raise the rates.

Public Comment:

Gordon Heinrich: it's unfair for management to raise money and use it for two months. You know where that money is going to go.

Cheryl McDowell: you can run it without stage 3.

Karen Dean: we are discussing issues that the public is not seeing because Amanda sent it to you. I'm having difficulty following what you're talking about. At a CCSD meeting, it would have been sent out as a green sheet. Can it be put on the webpage as a green sheet? The agenda packet was very poorly prepared for this meeting.

Chairman Pierson responded that you have everything except the percentages.

Vice Chair Siegler stated we have four committee members, turnover in staff where it's our subject of interest, which is difficult, but it's embarrassing to be sitting here without documents for the agenda items. There's nothing in the package addressing item 3.B.

Committee Member Lee stated there's a disconnect.

Public Comment:

Gordon Heinrich: what's the reason for turnover in staff?

Vice Chair Siegler stated its turnover in staff for the Finance Manager.

Public Comment:

Gordon Heinrich: there's also a new staff member at front desk. Do we have some way of monitoring future needs of staff?

**B. Review and Discuss the Apportioning of Property Taxes, Franchise Fees, and Other General Fund Revenue to the Various Departments**

Chairman Pierson stated based upon the fact we don't have much information on Regular Business Item 3. B., I'm not sure discussing this is time well spent. We did receive the draft information from Mr. LaBossiere.

**C. Discussion and Consideration of the Preliminary FY 2018/19 Budget. Committee will Recommend Changes and Forward the Revised Budget to the Board for Approval as Final Budget for FY 2018/19**

The committee discussed the preliminary 2018/2019 budget.

Chairman Pierson stated the committee will report to the Board that they should adopt the budget as we have reviewed it here. We didn't finalize Regular Business Items 3.A., 3.B., or 3.C. and we should make a recommendation to the Board on 3.A., and we won't have an opportunity to do so before the board meets. We are unable to do our job and I was hoping to get it done during this meeting. No fault to Mr. LaBossiere who came into a tough spot and is doing a fine job.

Mr. LaBossiere stated I can't speak for the General Manager, but my understanding was the philosophy on how to allocate franchise fees, property taxes and I wasn't clear on what handouts were needed.

Vice Chair Siegler stated this committee is a subcommittee of the board so the effort that goes into preparing for a board meeting is the kind of effort we need for our meetings. This morning was a waste of time for the committee and audience. I want to contribute to the overall financial management of the CCSD and there's five of us who agree on that, so it's just as a message to take back to Jerry. A package that doesn't have information relevant to the agenda items is not okay. We should be set up to succeed as a committee and to help CCSD staff succeed in their overall job.

Committee Member Lee agreed with a lot of what Vice Chair Siegler said. We got very little accomplished. I talked to Chairman Pierson and I would like to get some feedback on combining the Finance and Infrastructure standing committees, with an addition of community members with less board and management intrusion at our meetings. We need to have the ability to problem solve, do work and come to board with suggestions. We had nothing to bring to the board on the rate study. We had nothing at the joint committee. We totally missed the target. The two standing committees are an expense to the community and I think we should be more productive and justify the cost. If we had more participation we can solve most problems easily and go to board and say this is what we've come up with, give us something to work on and let's work on it.

Vice Chair Siegler stated the standing committee is subject to the Brown Act.

Committee Member Lee stated we need a larger committee to encompass more than finance and infrastructure. I don't see why we can't combine the committees and get less participation from the board. We make suggestions to the board and they can do whatever they want to do. We need to look at combining the two committees and have the board give us directive on what to work on and we will bring back a suggestion on problems that need to be addressed. I don't think we are getting anything done.

Chairman Pierson stated we haven't had the preparation from the staff to get the information we need. The board has asked this committee to review the budget and report back to the board. They will have a much better budget in front of them now that we have reviewed it.

Committee Member Lee stated it cuts down board time if we can go through issues. We are here to assist the board.

Committee Member Steidel agreed with Committee Member Lee. The only thing she suggests is to keep the two standing committees, have them expand themselves and allow for more people to participate. I think there's value in maintaining separate committees and value in expanding the committees in size. I'm in favor of not having directors on committees and having a single director involved is okay, but two directors is overkill.

Vice Chair Siegler stated I don't mind having directors on the committees. I think to be fair part of our frustration is dealing with a budget that is unusual timing because we didn't have audited financials until June, turnover with the finance manager, a rate study that hasn't been carried forward to implementation and a backlog of things that need to be done. I hope this isn't an indication of what normal is. I think it's imperative that if we have an agenda item with methods of allocation, the supporting documentation is included in the agenda packet. To have a document from Alleyne that was different than what I was reviewing is very frustrating. It would be ideal if we are going to discuss the budget and asked to make recommendations, we are dealing with the budget that's going to be presented to the board.

Mr. LaBossiere stated I normally have 3-4 months to do a budget, not one week.

Vice Chair Siegler stated distributing an agenda packet seventy-two hours before a meeting is important and gives us the chance to review the materials. It's hard to review the materials being brought in today.

Mr. LaBossiere stated there were no documents available seventy-two hours ago.

Vice Chair Siegler responded I understand that but to be effective, we must have an agenda coordinated with the materials provided. It's an obligation to the public and the committee. I'm not trying to pick on you Alleyne, it ends up being a frustrating meeting.

Chairman Pierson stated I appreciate that you brought documents to the meeting. I think the budget hasn't changed extravagantly from the preliminary budget.

Mr. LaBossiere stated the biggest number that will change is allocated overhead.

Public Comment:

Laura Swartz: attended both committees and the chairmen are doing a wonderful job. We sat on the BRP for a year and half. She suggests having one member of the CCSD on the board. How can you be the chairman and recommend to yourself what you will do on the board?

Mike Lyons: we have the same kind of problem, getting bogged down into detail and side issue. But, we must keep in mind the public is expecting a lot from the committees. We have emergency items in terms of budget, fiscal planning and even reserves. The public wants us to get going on financial security, stability, infrastructure and budget. I urge you to go back to Regular Business Item 3.A. and discuss administrative overhead allocation. I'm quite happy with knowledgeable people making an educated decision. When you get more information on taxes and franchise fees, you can use the allocations until you get real world numbers.

Chairman Pierson responded that we gave direction, but it sounds like you're looking for a motion.

Vice Chair Siegler moved that the allocations we talked about changing are office rent, district counsel and legal to "L" and otherwise use the formulas and breakout of those formulas on the 2017/2018 that was in the May Special Meeting package. The allocation percentages are:

Letter E will be 1/6 for each department

Letter R: Fire 25%, F&R 6%, PROS 4%, Wastewater 25%, Water 25% and SWF 15%.

Letter L: Fire 16.7%, F&R 6.3%, PROS 1.6%, Wastewater 22.6%, Water 27.8% and SWF 25%

Committee Member Lee seconded the motion.

The motion was approved: 4-Ayes (Siegler, Lee, Pierson, Steidel), 0-Nays, 1-Absent (Rice)

Chairman Pierson stated we are directing staff to use those number for fiscal year 18/19.

Public Comment:

Gordon Heinrich: don't know what monies they have, prioritizing things seems to be lacking, they didn't accomplish a lot but move numbers around and wait for finance to tell us how much money to spend. There needs to be a person in the middle communicating to both committees.

Donn Howell: how many people are on the BRP? 5 people under a brown act situation is very restricted. The way to get around that is to have a larger committee. 7-9 people is more reasonable. People can work together without creating a quorum. Recommend to board that we could do a better job if the committees had more members.

Karen Dean: I also think having more members on committee enables us to get together to talk with a quorum and members can go to each other committees and help committees understand what we are doing.

Committee Member Steidel stated the 7-9-person range is excellent. It gives the committee the ability to break up into three groups and work on 2-3 issues at the same time.

Chairman Pierson stated the 7-9 committee makes sense. I certainly will take all this back to the board.

The consensus will probably be one board member on each committee and need for liaison and communication between two committees and board. We need to do some work on the structure.

**A. Discussion and Consideration of Forming Two Subcommittees to Write/Revise as Directed by the Board of Directors. The Committee is charged with Writing a Policy on Budgeting and Revising the Existing Policy on Reserve Funds**

Chairman Pierson introduced the item and stated the board has asked us to look at writing a policy on budgeting and revise the existing reserve funds policy. He suggested creating two ad hoc committees to accomplish this task. The board would like these policies brought back to the committee for discussion and brought to the board to review no later than October. The budget will be a policy that is started from scratch and it needs to be a document that gives direction to staff on what kind of budget should be prepared, what it looks like and what we should get. Do I have volunteers for the committee?

Vice Chair Siegler volunteered to be on the budget ad hoc committee.

The committee volunteered Amanda Rice to be on the budget ad hoc committee.

Chairman Pierson volunteered to be on the Reserve Funds ad hoc committee.

Committee Member Steidel volunteered to be on the Reserve Funds ad hoc committee.

Public Comment:

Karen Dean: Cindy Steidel and I have been working on the CIP and how it works with finance. Should I keep working on that?

Chairman Pierson responded yes, please forward it to Vice Chair Siegler and Committee Member Rice to incorporate in the Reserve Funds policy.

Public Comment:

Karen Dean: What if the public wants to attend the ad hoc committee meetings?

Chairman Pierson responded generally they are working committees. If you want to volunteer your time, contact Vice Chair Siegler or myself and we can handle it from there.

Public Comment:

Harry Farmer: I'm seeing that Ted and Amanda are on the ad hoc committee and Cindy and David on the other committee. Cindy is also working with Karen and running for the CCSD board, I'm wondering if perhaps Dewayne might consider being on the ad hoc committee to rewrite the reserve policy. I'm not trying to hassle Cindy, just an observation.

Karen Dean: I think Cindy and I need to fine tune it and if it's an issue, Dewayne can work with me. I can work with someone else on my committee.

Committee Member Lee stated I don't mind working on any of these. I just don't know how much time I can allocate to this. I'd be glad to work with Karen on it.

Chairman Pierson appreciates the committee taking the time to volunteer for these committees.

#### **4. FUTURE AGENDA ITEMS**

Chairman Pierson announced this would be the last meeting at the Fire department and all future meetings will be held in the Vets Hall dining room.

The committee agreed to these items being on the future agenda:

1. Report back from the Ad Hoc as to how much progress was made on their policies
2. Discussion on BRP finances

Public Comment:

Harry Farmer: I have concerns on item 3.C. the recent budgets and expenditures have outpaced revenue. The budget was balanced essentially because there were no expenditures for Wastewater. I find that personally distressing and frustrating and it can't go on like this.

Chairman Pierson responded we will figure out how to reasonably deal with infrastructure, cost over runs and under runs in policy.

#### **5. ADJOURN**

Chairman Pierson adjourned the meeting at 11:23 a.m.