

Claire McAuliffe, President
Corinne Wiley, Vice President

Catharine Benediktsson, Secretary
Casey Kawamoto, Director
Bill Brady, Director

**Sanitary District No. 5 of Marin County
Finance & Fiscal Oversight Committee Meeting
at Sanitary District No. 5 of Marin County Meeting Room
2001 Paradise Drive, Tiburon, California
Tuesday, October 28, 2008 9:00 a.m.**

CALL TO ORDER at 9:07 a.m.

- I. ROLL CALL:** Directors, present: Corinne W. Wiley, Vice President
Catharine Benediktsson, Secretary
- Staff, present: Robert L. Lynch, District Manager
Samantha Miller, Office/Finance Manager

II. PUBLIC COMMENTS: None

III. NEW BUSINESS:

a. Warrants for October 2008 (attached)

The Committee reviewed and approved warrants for October 1 - 27, 2008, #2448 through 2503, in the amount of \$102,276.16. The Committee asked how Mgr. Rubio's visit to the Weftec Conference went. Mgr. Lynch replied that it was very useful, especially since Mgr. Rubio was able to find the portable reuse water system (trailer-mounted), which is of interest to the District. He discovered it is located in Yountville, and Mgr. Lynch and Mgr. Rubio plan to drive out to take a look at it.

b. Financial Reports for October 2008 (attached)

The Committee reviewed and approved the Financial Reports for October 1 - 27, 2008. Sec. Benediktsson questioned how much money Belvedere currently has. Mgr. Lynch replied that we will not be able to break that out until Mr. David Perotti completes his internal audit of fund allocation for the zone breakout. The Committee asked when Mr. Perotti will start working on the internal audit. Mgr. Lynch answered that he should be coming to the District on Wednesday, November 5th to start working on it.

The Committee asked when the District will receive its tax monies. Mgr. Lynch replied that will be in December. Even if some property owners pay their property taxes early, the County of Marin does not send the District's share of tax monies to the District until December.

Sec. Benediktsson noted that we are one-third of the way through the 2008-2009 fiscal year, and the District's year to date expenses are at 23.7% of the year's budget, which is looking good.

c. Pump Station No. 3 Tiburon – Generator Replacement

Mgr. Lynch explained to the Committee that the generator at Pump Station No. 3 in Tiburon is severely damaged. On October 17th, District maintenance staff found the generator to be making strange noises while in test mode, and on October 20th, Peterson Power & Generators surveyed the damage to the unit and discovered the windings (electrical wires) in the generator were burnt up. The engine and generator at Pump Station No. 3 are over 25 years old. The generators at the pump stations are serviced every other year, and the Main Treatment Plant Generator is serviced every year.

Mgr. Lynch said he would like to replace the entire unit because he does not want to only repair the generator now, and then have the engine (which is also over 25 years old) fail in a couple years, as well. Mgr. Lynch estimated the cost of replacing the generator and engine to be about \$34,842.88. This exceeds the District Manager's \$25,000 spending authority of unbudgeted funds for emergency purposes (as stated in the Board Policy and Procedure Finance Management Plan, adopted August 5, 2002 – Section 7: Emergency Expenditures). The Board Policy and Procedure also states the President of the Board is authorized to make emergency expenditures up to \$100,000.

Mgr. Lynch informed the Finance Committee that he requested the President of the Board's authorization and approval to replace the generator at the Capital Improvement Program Committee meeting on October 23, 2008 so work could begin immediately and would not have to wait until the Board of Directors Meeting on November 3, 2008. At that Capital Improvement Program Committee meeting, Pres. McAuliffe authorized and approved the District Manager to purchase a new standby generator for Pump Station No. 3 in the Tiburon Zone for an amount not to exceed \$35,000.

The Committee asked how many other generators the District has, and Mgr. Lynch explained that there are 11 other pump station generators that are also around 25 years old. These would each cost about \$35,000 to \$40,000 to replace if they fail.

Mgr. Lynch explained that once we replace the generator with a new one, we will have to get a new permit and the Air Board will require a 3-way oxidation catalyst, which will cost approximately \$4,654.75. The Committee asked Mgr. Lynch to verify this with the

Air Board, specifically asking the Air Board to send us the regulation and citation showing that we have to do this.

d. Seafirth Estates Connection Fee Staggered or Adjustment

Mgr. Lynch reported to the Committee that the Seafirth Estates Bid Opening did not go very well. The Seafirth engineer estimated the project to be between \$400,000 and \$600,000. However, the bids came in much higher, between \$836,065 and \$985,080, with Linscott Engineering as the low bidder.

Mgr. Lynch further explained that Seafirth held a meeting with Linscott Engineering to try to lower the cost of the project. After the meeting, Don Miller of Seafirth requested a private meeting with Mgr. Lynch. Don asked if the District would stagger the connection fee charges, or if the District would loan Seafirth money. Mgr. Lynch told Don that he did not think the Board would agree to either of these requests, but Don wanted him to ask the Board of Directors, anyway.

Mgr. Lynch added that he checked with the District's legal counsel, and they informed him that the District cannot legally float a loan to Seafirth, since the District's money is public money.

Mgr. Lynch asked the Finance Committee if they were interested in staggering the connection fees for Seafirth. The Committee said they would not consider Seafirth's request. Mgr. Lynch reported the newest update was that Seafirth gave Linscott their intent to proceed, and Seafirth said they will have a loan by the end of the week.

e. David Perotti Proposal for Internal Audit Services

Mgr. Lynch explained that, on October 1, 2008, the Finance Committee and District Staff met with Mr. David Perotti in regards to the scope of work the District would like him to audit. Mr. Perotti recently responded with a formal proposal that the Finance Committee reviewed, authorizing the District Manager to sign it, as per the Motion of the October 6, 2008 Board Meeting. Mr. Perotti has indicated that he will begin work on this project the week of October 27, 2008. Mr. Perotti's internal audit was not a budgeted item, and it is estimated to cost about \$12,000.

Sec. Benediktsson asked who the "interested District resident" is who Mr. Perotti said is providing him with additional information. Mgr. Lynch replied it is Mr. Paul Garbarini, and that both he and V.P. Wiley have already spoken with Mr. Garbarini, letting him know he needs to go through the District instead of contacting Mr. Perotti directly. Mr. Garbarini agreed to do that.

V.P. Wiley asked if anyone had found any retired accountants yet to form an advisory committee for the District. The Committee will keep working on that.

The Committee questioned when Mr. David Bennett will be finished working on the District's books. Mgr. Lynch replied he thinks it might be two weeks, but he is waiting to hear from Mr. Bennett.

f. Reimbursement from District Manager

Mgr. Lynch reported to the Committee that his personal SUV was broken into on October 3, 2008 and his wife's purse was stolen. His wife cancelled all her credit cards, etc., and Mgr. Lynch was not aware that the credit card companies cancelled his cards, as well. He discovered this when he stopped for gas on his way to work the following week, and none of his credit cards worked. Mgr. Lynch needed gas in order to get to work, so he purchased \$50.00 worth of gas using the District's credit card. He wrote a check to Sanitary District No. 5 of Marin County in the amount of \$50.00 on October 10, 2008 (check #2002) to reimburse the District for his personal gas charge of \$50.00 on October 10, 2008.

IV. ADJOURNMENT at 9:45 a.m.

Recorded by Samantha Miller