

MINUTES
Regular Meeting of the Board of Directors
of the
SUNNYSLOPE COUNTY WATER DISTRICT
November 17, 2020

A. CALL TO ORDER: The meeting was called to order at 5:15 p.m. by President Parker, as authorized by the State of California Executive Order N-25-20 via teleconference, at the Sunnyslope County Water District office, 3570 Airline Highway, Hollister, California.

B. ROLL CALL: Present In Person: Director Mike Alcorn, Director Judi Johnson, and President James Parker. **Present Via Teleconference:** Vice President Jerry Buzzetta, Director Ann Ross.

C. PLEDGE OF ALLEGIANCE: General Manager/Secretary Lander led Directors and staff in the Pledge of Allegiance.

D. APPROVAL OF AGENDA: Upon a motion made to approve the agenda by Director Johnson, seconded by Director Ross, for which President Parker (JP) then took a roll call vote as follows: Directors Alcorn, (MA), yes; Buzzetta (JB), yes; Johnson (JJ), yes; Ross (AR), yes; and President JP, yes; the motion carried 5-0.

E. PUBLIC COMMENTS AND AUDIENCE INTRODUCTIONS: The Board welcomed members of the public and opened the meeting to public comments regarding matters not itemized on the agenda. Director Johnson congratulated Director Buzzetta and President Parker on their victory in the November election. She also thanked them for their dedication to serve on the Board.

Staff Present for Open Session: In Person: General Manager/Secretary Drew Lander, Executive Assistant/Stenographer Carol Porteur, Water/Wastewater Superintendent Jose Rodriguez, Finance & Human Resource Manager Travis Foster, and Associate Engineer Rob Hillebrecht. **Via Teleconference:** Attorney Heidi Quinn.

Member of the public in attendance was Ted Intravia.

F. CONSENT AGENDA:

1. Approval of Minutes – The Board reviewed the minutes for the Regular Meeting of October 20, 2020.
2. Allowance of Claims – The Board reviewed the Disbursement Summary (below) for the period of October 13, 2020 through October 31, 2020, totaling \$ 421,015.39 which includes \$ 316,451.08 for payments to vendors, \$ 101,437.68 for Payroll – employee, and \$ 3,126.63 for customer refunds and checks returned. The last “ACH” # (electronic payments) was ACH # 1861, and the last check written was check # 28553.

Date	Number	Name	Amount
10/15/20	ACH 1846	RETURNED CHECK (Ck Ret 10-01)	-317.54
10/16/20	ACH 1847	RETURNED ACH (ACH Ret 10-01)	-184.62
10/16/20	ACH 1848	RETURNED ACH (ACH Ret 10-02)	-200.99
10/16/20	ACH 1849	RETURNED ACH (ACH Ret 10-03)	-143.85
10/16/20	ACH 1850	ADP Processing Fees	-2,083.26
10/19/20	ACH 1851	RETURNED ACH (ACH Ret 10-04)	-264.51
10/19/20	ACH 1852	RETURNED ACH (ACH Ret 10-05)	-143.85
10/19/20	ACH 1853	RETURNED ACH (ACH Ret 10-06)	-196.13

Date	Number	Name	Amount
10/19/20	ACH 1854	RETURNED ACH (ACH Ret 10-07)	-410.57
10/23/20	ACH 1855	Employee Payroll	-66,390.73
10/23/20	ACH 1856	Payroll Taxes	-18,302.33
10/29/20	ACH 1857	CalPERS - Retirement	-9,735.63
10/29/20	ACH 1858	CalPERS - Retirement	-6,224.27
10/21/20	ACH 1861	CalPERS - Health Insurance	-17,850.92
10/14/20	28488	San Benito County Water District	-69,667.50
10/19/20	28489	JASON & RAQUEL BROYER	-14.53
10/19/20	28490	BENNY & PAULA ESTRADA	-47.95
10/19/20	28491	TERI NORITA LIEBMANN	-49.18
10/19/20	28492	A-1 Services	-403.00
10/19/20	28493	ACWA/JPIA	-9,461.11
10/19/20	28494	Auto Tech Service Center, Inc.	-1,400.00
10/19/20	28495	Backflow Apparatus & Valve Co. (BAVCO)	-230.37
10/19/20	28496	Brenntag Pacific, Inc.	-12,437.67
10/19/20	28497	Calgon Carbon Corporation	-48,402.00
10/19/20	28498	Independent Business Forms, Inc.	-164.82
10/19/20	28499	Mc Kinnon Lumber Co., Inc.	-243.60
10/19/20	28500	Primex	-2,763.20
10/19/20	28501	San Benito County Water District-Pumping	-17,403.22
10/19/20	28502	USA Blue Book	-632.86
10/19/20	28503	Veolia Water Technologies	-6,370.51
10/19/20	28504	Vasquez-Herrera, Luis M.	-152.58
10/19/20	28505	Castro, Kevin G.	-192.00
10/26/20	28506	KB Home South Bay, Inc.	-13,755.35
10/26/20	28507	Assoc. of Calif. Water Agencies (ACWA)	-17,855.00
10/26/20	28508	Auto Tech Service Center, Inc.	-780.00
10/26/20	28509	Bianchi Kasavan & Pope, LLP	-231.00
10/26/20	28510	Brenntag Pacific, Inc.	-8,534.03
10/26/20	28511	Calcon System, Inc.	-1,037.50
10/26/20	28512	Grainger, Inc.	-34.75
10/26/20	28513	Hach Company	-3,724.79
10/26/20	28514	Hollister Auto Parts, Inc.	-41.89
10/26/20	28515	Konica Minolta Premier Finance	-416.76
10/26/20	28516	Mc Gilloway, Ray, Brown & Kaufman	-6,390.00
10/26/20	28517	Mid Valley Supply	-76.38
10/26/20	28518	Pinnacle Agriculture	-814.76
10/26/20	28519	San Benito Tire Pros & Automotive	-291.67
10/26/20	28520	Toro Petroleum Corp.	-1,547.12
10/26/20	28521	USA Blue Book	-959.00
10/26/20	28522	Watersmart Software, Inc.	-19,553.00
10/26/20	28523	BISCEGLIA & ASSOCIATES	-174.27
10/26/20	28524	COOPER DAUER	-41.23
10/26/20	28525	KRAIG KLAUER	-45.22
10/26/20	28526	RUBEN & WILMA ORTEGA	-92.19
10/26/20	28527	SEATEC UNDERGROUND UTILITIES INC.,	-800.00
10/30/20	28528	Postmaster	-2,215.89
10/30/20	28529	Ace Hardware (Johnson Lumber Co.)	-419.17
10/30/20	28530	AT&T	-437.35
10/30/20	28531	Auto Tech Service Center, Inc.	-1,500.00
10/30/20	28532	Bartel Associates, LLC	-4,000.00
10/30/20	28533	Brenntag Pacific, Inc.	-8,107.94
10/30/20	28534	Brigantino Irrigation	-15.62
10/30/20	28535	Central Ag Supply LLC	-411.13
10/30/20	28536	CWEA Membership- TCP	-735.00
10/30/20	28537	Hach Company	-1,007.21

Date	Number	Name	Amount
10/30/20	28538	Interstate Battery System of San Jose Inc	-128.68
10/30/20	28539	Maggiora Bros. Drilling, Inc.	-746.45
10/30/20	28540	Mark Nicholson, Inc.	-5,320.00
10/30/20	28541	Mc Master-Carr	-557.27
10/30/20	28542	Mission Uniform Service	-1,095.24
10/30/20	28543	Nationwide Retirements Solutions	-18,660.73
10/30/20	28544	O'Reilly Auto Parts	-98.13
10/30/20	28545	Palace Business Solutions	-1,157.38
10/30/20	28546	Postal Graphics	-53.69
10/30/20	28547	Premier Access Insurance Co.	-3,450.23
10/30/20	28548	San Benito County-Mosq Abate. Prgm	-126.23
10/30/20	28549	UWUA Local 820	-784.72
10/30/20	28550	Verizon Wireless	-230.02
10/30/20	28553	Petty Cash	-76.10
			\$ <u><u>-421,015.39</u></u>

3. Associate Engineer Monthly Status Report.
4. Finance Manager Monthly Status Reports: a. Narrative Report, b. Operation Summary, c. Statement of Income, and d. Investment Summary.
5. W/WW Superintendent Monthly Status Reports: a. Maintenance, b. City Meter Reading, and c. Groundwater Level Measurement.
6. General Manager Monthly Status Report.

Director Johnson asked to have agenda item F.3 - Associate Engineer Monthly Status Report and F.5 - W/WW Superintendent Monthly Status Report moved to Agenda Items I.4 and I.5 respectively, under Board and Staff Reports.

Upon a motion made by Director Johnson to approve the Consent Agenda as amended, seconded by Director Alcorn, and for which President Parker then took a roll call vote as follows: Directors MA, yes; JB, yes; JJ, yes; AR, yes; and President JP, yes; the motion carried 5-0.

G. NEW BUSINESS:

1. **RECEIVE AUDIT REPORT/PRESENTATION BY JESUS MONTEMAYOR, CPA/PARTNER, WITH MCGILLOWAY, RAY, BROWN & KAUFMAN ON JUNE 30, 2020 AUDIT. (Not a project under CEQA per Article 20, Section 15378).** Finance and Human Resource Manager Travis Foster explained to the Board that the Comprehensive Annual Financial Report (CAFR) for fiscal year ended June 30, 2020 gives an assessment of the District's financial condition, informs the readers about District services, gives details of infrastructure replacement projects, discusses current issues, and provides financial and demographic trend information.

Finance and Human Resource Manager Foster explained to the Board that the auditors had three "findings" which meant they needed to do three adjusting journal entries to the audit. Mr. Foster explained that journal entry #1 was in regard to the true-up for West Hills and Lessalt Water Treatment Plants and the entry made in QuickBooks actually posted to an expense account, but should have gone to revenue. Adjusting journal entries #2 & #3 were translations errors.

Mr. Foster introduced Jesus Montemayor, CPA/Partner with McGilloway, Ray, Brown & Kaufman to give the board a report/presentation regarding the District's June 30, 2020 audit and the resulting audited financial statements and Governance letter.

Mr. Montemayor began with explaining the CAFR Program stating that the Government Finance Officers Association (GFOA) has the Certificate of Achievement for Excellence in Financial Reporting Program (CAFR Program). This program was setup to encourage and assist local governments to go beyond the minimum reporting requirements and provide additional full and transparent information to the users of the District's financials. This is the first year the District will submit their financials for the certificate. The following items were added/updated to the financials to submit for certificate: transmittal letter; list of principal officials; organizational chart; updates to the basic financial statements; updates to the notes to the basic financial statements, and a statistical section.

Mr. Montemayor stated that current assets increased mainly due to an increase in cash and LAIF investments primarily a result of the current year income. Capital assets increased mainly due to a completion of Crosstown Pipeline construction and developer capital contributions. The capital additions were offset by depreciation and amortization expenses and disposition of assets. Other non-current assets increased due to increase in restricted LAIF investment primarily a result of the current year capacity and connection fees and offset by write-off of impaired assets. The deferred outflows of resources decreased because in prior year, the District contributed and additional \$1.09M to the pension.

Current liabilities decreased mainly due to decrease in accounts payable because in prior year, District accrued \$812K for the Crosstown Pipeline construction and \$342K due for true-up cost for Lessalt Water Treatment Plant (LWTP) and West Hills Water Treatment Plant (WHWTP). Long term liabilities decreased due to current year principal payments paid. Net pension liability decreased because the District received a credit for the \$1.09M additional pension contributions made in May 2019. Net investment in capital assets increased due to current year additions net of depreciation and amortization and debt payments. Restricted for capacity and connection fees increased due to current year receipts of capacity and connection fees net of current year Tranche 1, 2, and 3 debt commitment payments.

Mr. Montemayor explained that operating revenues increased mainly due to addition of 288 new water customers and \$240K increased in contracted services for Lessalt & West Hills WTP. Increase in operating expenses is mainly due to an increase in pension expense by \$273K based on actuarial valuation, depreciation expenses by \$283K and operations and maintenance expenses by \$391K primarily due to operations and maintenance costs for the WHWTP and LWTP. Change is mainly due to increase in non-operating expenses because District wrote off \$109K impaired assets. Capacity and connection fees increased because the District received 282 new water capacity fees in current year as compared to 136 in prior year. The District accepted two new water system developer capital contributions in the amount of \$1.435M and \$415K respectively as compared to one water system capital contribution in prior year in the amount of \$166K.

Mr. Montemayor stated that the significant audit findings are: Management is responsible for the selection and use of appropriate account policies and the auditors noted no transaction entered into the District books during the FY 2019-20 for which there is lack of authoritative guidance or consensus; account estimates – evaluated the underlying assumptions for allowance for uncollectible accounts, useful lives/depreciation, deferred inflows and outflows, pension liability, and postemployment benefit liability and found them to be appropriate.

The sensitive financial statement disclosures are CALPERS GASB statement No. 68, Accounting Valuation Report, with the measurement date of June 30, 2019. The disclosure of Other Post Employment Benefit (OPEB) Plan to the financial statements are GASB Statement 75, Accounting Valuation Report, with the measurement date of June 30, 2019.

Mr. Montemayor recapped stating that there were no difficulties encountered in performing the audit; 3 auditor adjusting journal entries were made; there were no disagreements with Management; there were no Management consultations with other independent accountants; the timing of the audit went according to schedule and the found no delays; and the auditors required supplementary information, other information accompanying the financial statements that are not RSI-limited assurance. Management letter material deficiency, none noted, and prior year Management letter, none noted.

Upon a motion made by Director Johnson to receive and approve the report/presentation by Jesus Montemayor, CPA/Partner, with McGilloway, Ray, Brown, & Kaufman for the June 30, 2020 Audit, seconded by Director Alcorn, and for which President Parker then took a roll call vote as follows: Directors MA, yes; JB, yes; JJ, yes; AR, yes; and President JP, yes; the motion carried 5-0.

2. AUTHORIZE THE GENERAL MANAGER TO EXECUTE THE AGREEMENT FOR WELL #5 LANDSCAPE IRRIGATION SYSTEM DESIGN SERVICES WITH SCHAAF & WHEELER CONSULTING CIVIL ENGINEERS FOR AN AMOUNT NOT TO EXCEED \$130,000 (Exempt from CEQA per Article 19 Section 13501(a)):

Associate Engineer Rob Hillebrecht explained that as part of Sunnyslope County Water District's long-term planning effort, the Well 5 Landscape Irrigation System project has long been contemplated and planned for. The project was highly recommended in the 2017 HUAMP Update as an effective and affordable means to increase municipal water supplies and quality. It was also included in the Five-Year Capital Improvement Plan approved by the Board in 2017. As development along Fairview Road has significantly increased this year, Sunnyslope has experienced major water demands for construction water. Through this project, the construction water and the projected landscape water demand as the developments approach completion could be supplied by using lower quality well water as opposed to treated surface water. This would preserve more of the higher quality treated surface water for residential use, especially in Sunnyslope's wastewater service area. Initial estimates show that construction and landscape water demand that could be served by this project may surpass 75 AFY by 2022. The attached design proposal has been provided by Schaaf and Wheeler who have the experience and background to successfully design the infrastructure needed. With this design completed Sunnyslope will be able to better evaluate the costs, benefits, and ideal timing for constructing the project. The proposal includes four items: System Modeling, Facility Design, Bid Phase Support, and Construction Phase Support. All phases are included at this time for budgetary purposes. At the present time only 51hrs of Item #1 – System Modeling design work are needed to ensure system sizing requirements are correct and all of Item #2 – Facility Design are proposed. Staff recommends that the District approve only these items noted and additional work or construction support will come before the board at a later date when this project is determined to be ready for construction bid.

The project design would be conducted on a time and materials basis not to exceed \$130,000. Initial estimates indicate approximately \$150,000 in annual construction water sales along Fairview Rd. Capital Improvement Reserves (Balance \$1.7M) may be used for the project as it is directly related to increasing long-term water supply and is part of the Capital Improvement Program.

Director Buzzetta questioned spending \$130,000 and not having revenue to offset this cost. General Manager/Secretary Lander stated that with the District has sold water in excess of \$150,000 for construction irrigation water, and that water has the additional expense for being treated, using the well water is much cheaper than using the treated surface water. Director Alcorn also commented that the District never knows what water allocation will be received, so it is best to preserve the treated surface water.

Upon a motion made by Director Alcorn to authorize the General Manager to execute the Agreement for Well #5 Landscape Irrigation System Design Services with Schaaf & Wheeler Consulting Civil Engineers for an amount not to exceed \$130,000, seconded by Director Johnson, and for which President Parker then took a roll call vote as follows: Directors MA, yes; JB, yes; JJ, yes; AR, yes; and President JP, yes; the motion carried 5-0.

3. **AUTHORIZE THE GENERAL MANAGER TO REGISTER AND IMPLEMENT A NEW DISTRICT LOGO (Not a project under CEQA as defined by 14 California Code of Regulations 15378):** General Manager/Secretary Lander stated that as the District continues to grow it is essential that we continue the move forward to improve customer access and transparency through new technology and communication with those who we serve. The District is taking a large step towards becoming a significant service provider within San Benito County and with the use of our coming newsletters and other public outreach there is a need of additional logo branding to identify the District and make our vehicles and advertisements recognizable to the public.

Presently the District logo has consisted of the use of the District seal. The seal is not readily recognizable on our District vehicles and it presently does not adequately reflect the main service we provide, which is high quality water. Staff have been working with a graphic design specialist while putting together the newsletter to be rolled out later this month. With input from both staff and the Water/Wastewater Committee, the attached logo better represents the District services. This logo will have good visual recognition on our white vehicles, website and advertisement documentation. The logo will not replace the District seal but is proposed to be used in place of the District seal on public advertisement documents.

Mr. Lander stated that it is proposed the Board adopt the attached logo illustration and use it with all District documents, advertisements, vehicles and communications.

The implementation of the logo is estimated to cost \$4,100. This cost is associated with the development of the logo, registration of the illustration to the District, and the purchase and installation of new decals for the district vehicles. As the design and use of a logo is greater than \$1,000 and is intangible property, this cost would be capitalized, amortized over a five-year life and is being requested as an interim request per our capitalization policy.

Upon a motion made by Director Johnson to authorize the General Manager to register and implement a new District logo, seconded by Director Alcorn, and for which President Parker then took a roll call vote as follows: Directors MA, yes; JB, yes; JJ, yes; AR, yes; and President JP, yes; the motion carried 5-0.

H. BOARD COMMITTEE and STATUS REPORTS

1. **Governance Committee:** No meeting held.
2. **Water/Wastewater Committee:** General Manager/Secretary Lander reported that a meeting was held on November 6, 2020 to discuss the Well #5 as discussed tonight in agenda item G-2; discuss Hankins Information Technology request to lease space at the Ridgemark tank site for broadband antenna; the purchase of an iPad for infield use to improve inspection and construction documentation; and to discuss the new District logo.
3. **Finance Committee:** General Manager/Secretary Lander reported that a meeting was held on November 4, 2020 to discuss the FY20/21 budget review; the audit progress summary; and consider recommendation to extend the audit services contract until 2023.
4. **Policy and Procedure Committee:** No meeting held.
5. **Personnel Committee:** No meeting held.
6. **Water Resources Association of San Benito County (WRA):** No meeting held; next meeting is scheduled for December 3, 2020. Director Johnson reported that a sustainable groundwater meeting is planned but no date has been set.

6:20 p.m. Director Ross excused herself from the meeting.

I. BOARD and STAFF REPORTS

1. **Directors:** No report.
2. **District Counsel:** No report.
3. **General Manager:** General Manager/Secretary Lander gave an update on the COVID-19 reporting that the District office has remained closed and now that the county has moved back to the purple tier, he does not for see the office opening in the next few months. At this point we have no COVID illness with any staff and currently the costs attributed to the pandemic are at about \$17,000 which includes COVID sick pay and supplies such as hand sanitizer, masks, and etc. The total late and administrative fees not collected and written off amount to \$106,270. There is a compounding affect with respect to accumulating the written off fees because in a normal operating environment the District would have stopped services on these delinquent accounts. The late and administrative fees would typically be around \$20,000 in a normal operating environment due to the ability to stop service.

Mr. Lander reported that the total outstanding customer balances, excluding the first and second month of the pandemic, is approximately \$63,000 as of the end of October. The office staff have been contacting customers that are pasts due to try to collect or offer payment arrangements.

General Manager/Secretary Lander reported that the Technical Advisory Committee (TAC) report is complete. The last discussion was on how to improve on monitoring the agricultural areas with satellite images that will give better accuracy on the amount of water being used.

4. **Associate Engineer:** Director Johnson pulled item I.3 so that Associate Engineer Rob Hillebrecht would explain #6 - West Hills Tank Tracer Study. Kennedy/Jenks is performing flow testing of the West Hills treated water tank, which shows how well water flows through

the tank and if it is short circuiting. The high flow test was the initial test and a low flow test is scheduled for mid-December. Director Johnson also asked the purpose of the study and Mr. Hillebrecht responded that it gives the operators more operational flexibility and the possibility of using less chlorine. Director Johnson also asked if the study is required and Mr. Hillebrecht stated that the Division of Drinking Water does not require it, but the study does give more regulatory freedom.

5. **W/WW Superintendent:** Director Johnson pulled item I.5 to have W/WW Superintendent Jose Rodriguez tell the Board about #5 of his narrative report. Operators have been encouraged to take California Water Environment Association exams for additional certifications. Mr. Rodriguez has been encouraging staff to get additional licensing in mechanical and instrumentation. This past month five maintenance personnel took exams for additional licenses and all passed.

J. FUTURE AGENDA ITEMS: Extend the audit contract with McGilloway, Ray, Brown & Kaufman, and a closed session for General Manager Lander's review.

K. PUBLIC COMMENT ON CLOSED SESSION MATTERS: Members of the public may address the Board on the item or items listed on the Closed Session agenda, with a time limit of 3 minutes per speaker. Ted Intravia, a developer for the Lico property, spoke about the issues he is having with the County of San Benito regarding his proposed development. A couple of the issues are the zone change and the pond 6 issue. Mr. Intravia offered any assistance to the District that may help resolve the pending litigation between the County of San Benito and Sunnyslope County Water District.

At 6:33 p.m., President Parker closed the meeting to the public for closed session.

L. CLOSED SESSION (PURSUANT TO Government Code Section 54956.9

1. **Conference with Legal Counsel** – Pending Litigation § 54956.9:

County of San Benito vs. SSCWD, San Benito County Superior Court Case No. CU-20-00068

M. ADJOURNMENT: President Parker adjourned the meeting at 7:12 p.m.

APPROVED BY THE BOARD: James F. Parker
James F. Parker, President

RESPECTFULLY SUBMITTED: Drew A. Lander
Drew A. Lander, Secretary