

**MINUTES OF THE REGULAR MEETING
OF THE
BOARD OF DIRECTORS**

Thursday, March 9, 2023

The meeting was called to order at 7:30 p.m.

1. ROLL CALL:

Directors Present: Don Amuzie
Perry Bautista
Tom Chambers
Julie Richards
Janet Medina

Staff Present: Michael Conneran, Attorney
Johnny Kennedy, Field Supervisor
Wendy Bellinger, Office Supervisor
Patricia Mairena, General Manager

Visitors Present: Sergio Medina

2. PLEDGE OF ALLEGIANCE: Led by Director Chambers.

3. CONSENT CALENDAR:

President Medina asked the Board if there was any discussion.

Director Chambers moved to approve the Consent Calendar, seconded by Director Bautista.

The motion was carried unanimously.

4. PUBLIC COMMENT: None.

5. BUSINESS (OLD): None.

6. BUSINESS (NEW):

A. Review/Approve June 30, 2022, Audit Report *(presented via Zoom)*.

Two of Five
Minutes of the Regular Meeting of the Board of Directors
Thursday, March 9, 2023

General Manager Mairena introduced Chris Brown, of C.J. Brown & Company CPAs (*formerly Fedak & Brown LLP*). Mr. Brown thanked the Board for having him and proceeded to make his presentation for the results of the 2022 audit via Zoom. He stated that the audit had been conducted in accordance with auditing standards generally accepted in the United States of America. Mr. Brown stated that there were two reports generated from the audit: the financial audited reports and the Letter to Management. Mr. Brown reported that within the financial statements was the Auditor's opinion which stated that the District received an unmodified "clean" opinion and congratulated the District on receiving it.

Mr. Brown told the Board that the Letter to Management was a report that communicated to the Governing Board that the auditors had not identified any material weaknesses within the District's internal control structure and that any minor observations made during testing had been shared with Management, as well as the District's accountants.

Mr. Brown informed the Board that the audit was a good one, though it had taken somewhat longer due to a new pronouncement which required him to work with the outside CPA. He stated that the new pronouncement was GASB 87, which required governmental entities to record leases on their financial statements as a lessor, a lessee, or both. In the District's situation, it was a lessor arrangement for the lease of space for the cell tower site, and a receivable was recorded for monies to be received over the life of that lease; previously cash was only recorded as it was received. Mr. Brown stated that in his opinion, this gave the reader a better picture of what the long-term revenue stream would bring the District for that lease. Mr. Brown reviewed a minor two-year period adjustment that was mostly due to interest, and which had been provided to the District's accountant for future recordings.

Mr. Brown also reviewed the OPEB and Pension adjustments which in his opinion were not very dramatic in comparison to another client. The District normally adjusts contributions based on the actuarial reports provided to the District by a third-party actuary. Mr. Brown also stated that the returns on the Market had played a very significant role, and this affected the financial statements by reducing the liability in the current year and increasing income by about \$200,000 to the bottom line. Mr. Brown told the Board he did not expect this trend to continue.

Mr. Brown displayed a condensed Statements of Revenues, Expenses, and Changes in Net Position highlights:

- Total revenue increased by about \$1,012,000.
- Total expenses decreased by approximately \$270,000.
- Depreciation has remained flat over the years.
- Change in net position increased by \$1,047,506.

Three of Five
Minutes of the Regular Meeting of the Board of Directors
Thursday, March 9, 2023

The net position at the end of the year was \$10,497,953.

Mr. Brown pointed out that any corrections related to the Board membership on the presentation have already been addressed by General Manager Mairena and Auditor Jeff Palmer.

Mr. Brown asked the Board if they had any questions.

Director Chambers thanked Mr. Brown for his clarification of GASB 87 and reiterated his understanding of it. Mr. Brown clarified that process a little bit further. Director Chambers inquired about the note on the sewer fund advancing the water fund for the purpose of funding current year operations. Mr. Brown stated the District's accounting system was not broken up into two different funds and reviewed some of the contributing factors for the difference in sewer and water funds.

Mr. Brown pointed out that for additional fees, the District's CPAs could provide the District mid-year reports which separated the funds.

Attorney Conneran inquired what the percentage would be if staff had to allocate their time spent on water and sewer. General Manager Mairena replied that the field staff could not respond to any sewer calls, other than meeting with the Sanitation Department or supervising something. General Manager Mairena stated that the office staff did more work, as some of the accounts with no parcel numbers were still being billed in-house, they submitted the parcel file with sewer charges to San Mateo County for collections, and they calculated the semi-annual sewer payment to the City of Daly City. General Manager Mairena reviewed how a portion of the sewer billing labor-related costs were deducted from the semi-annual sewer payments made to the City of Daly City.

Director Chambers asked about joint assets and how their depreciation was allocated. General Manager Mairena stated that she will be taking a look at this.

President Medina thanked Mr. Brown for his presentation and clarifications.

Director Chambers moved to approve the June 30, 2022, Audit Report as written, seconded by Director Bautista.

The motion was carried unanimously.

B. Review/Approve Pump Repair Service Company Quote for Westborough Main Pump Station Replacement Bowl Assemblies.

Four of Five
Minutes of the Regular Meeting of the Board of Directors
Thursday, March 9, 2023

General Manager Mairena reviewed her Staff Report with the Board and pointed out that the pump that was originally ordered back on May 13, 2022, with a sixteen-week delivery time, would not be delivered until almost the end of April 2023. General Manager Mairena stated that Field Supervisor Kennedy and she had discussed this matter with Wayne Archer from Pump Repair and since all three pumps rotated and run about the same amount of time, it was desirable to keep them under the same maintenance schedule, so Mr. Archer had recommended ordering replacements for the other two pumps.

Field Supervisor Kennedy recapped how the delivery schedule of pump no. 3 had been moved a couple of times. Field Supervisor Kennedy stated that he had concerns about the other two pumps since the District always ran two pumps, and these were the only pumps that had been running for almost a year now at least every other night. Mr. Kennedy indicated that he thought it was a good idea to place the order for the other two pumps soon. Director Chambers asked about the motor and the pump assembly. Director Chambers agreed that the order should be placed soon.

Director Chambers moved to approve Option 2 of the Pump Repair Service Company Quote for Westborough Main Pump Station Replacement Bowl Assemblies in the amount of \$73,373.98, plus a 10% contingency, seconded by Director Amuzie.

The motion was carried unanimously.

7. WRITTEN COMMUNICATIONS: None.

8. ATTORNEY'S REPORT: None

9. GENERAL MANAGER'S REPORT:

A. Report on District's Water Conservation for February 2023.

General Manager Mairena presented the water conservation efforts for February 2023 which showed a small increase in usage, but still showed the District being under the targeted amount. General Manager Mairena asked Director Chambers if he wanted to report. Director Chambers stated that he was not sure why the District had not done as well with all the rain we had received. Director Chambers expected usage to start going up in the next months.

General Manager Mairena recommended continuing to stress water conservation in the next newsletter. Director Chambers suggested to wait until San Francisco makes any declaration regarding the possible end of the drought. General Manager Mairena stated that at the BAWSCA meeting, they had said that San Francisco may wait before they took any action because they have the drought surcharge.

Five of Five

Minutes of the Regular Meeting of the Board of Directors

Thursday, March 9, 2023

B. Update on Proposal for Water and Sewer Rate Study.

General Manager Mairena reported the document was not yet ready, but she had directed Pakpour Consulting to meet with the North San Mateo County Sanitation District and produce slides of the sewer projects with cost estimates. Ms. Mairena stated she hoped to have it ready before the next board meeting so that there would be enough time for her to meet with the Capital Improvements Committee and prioritize these projects as well.

C. AAR Exercises with Launch.

General Manager Mairena reported that the AAR (After Action Report) Exercises with Launch had taken place this past Tuesday, March 7th. Ms. Mairena stated that Ken Anderson, City of South San Francisco Emergency Response Manager was present and had shared very important information on how they can assist the District. General Manager Mairena also stated that present were Mauritz Botha from XIO, Shaun Yglesias (via Zoom), Darryl Barrow (former WWD General Manager), and the entire District staff. Ms. Mairena mentioned that it had been a very productive session and Launch will be putting together the letter of response to the San Mateo County Grand Jury.


10. ITEMS FROM BOARD OF DIRECTORS: None


11. CLOSED SESSION: None.


12. ADJOURNMENT:

Without objection, President Medina adjourned the meeting.

Time 8:24 p.m.


Secretary


President


Date