

FAC Meeting:

Date: 8 June 2009

Mitch Cooney, Interim General Manager

Ampy Haber , Finance Manager

Phil Veneris, Cal Fire

Rod Lewin, Cal Fire

Steve Senet, LOCSD Director

Joe Sparks, LOCSD Director

Committee Members:

Jon Saurwein

Bill Garfinkle

Lisa Gonzalez

Burke Vanderhoef

Chuck Cribbs

1) Draft FY0910 Budget & Reserve Policy:

Mr. Cooney presented the updated FY0910 Budget. He explained that the final budget will be presented to the Board on June 18, after additional review with the WAC on 10 June and the ESAC on 16 June. The budget included updates to the prior format, and included the Board directed change to keep reserve interest income in the reserve funds, and therefore Parks & Recreation is not in the budget. Mr. Cooney indicated the projected revenues were reasonable and not ultra-conservative. He indicated that the break-down expenses for individual funds were not finalized, and would not be until after additional staff and committee meetings were held – to minimize the number of iterations.

Committee Members discussion:

Remove admin totals so not to be added twice.

Add line numbers to the roll-up budget to more readily reference funds.

Add reserve balances at the bottom to show project reserve changes, and highlight balances as net fund changes.

Two fund items that showed significant increases were addressed. The increase in Septage for Fund 200 (Bayridge) due to increased cost due to age of system. The increase in Fund 100 (Admin) due to the IGM's contract allowing for mileage reimbursement.

Mr. Veneris asked that for fund the Cement work Station be changed to an estimate of \$117,000 and that the Contingency – Capital be changed to \$18,500. He explained the definition of red circle employees as legacy South Bay Fire employees.

Mr. Cooney indicated the projected revenues were reasonable and not ultra-conservative. He also indicated that the shift in staff to Fund 650 allocation was appropriate.

Public Comments:

Requested that the description of tax revenues be consistent between the Summary Budget sheet and the detailed department breakdowns. The terms property tax and special tax were being used to represent the same fund sub-account.

Requested additional clarification/definition on the Summary Budget sheet for the line Support Operations.

Director Sparks asked Staff that the Final Budget be forwarded to all committee members, and that comments that could be directed to the GM would be appreciated prior to the next Board meeting on June 18.

2) Investment Policy:

Mr. Cooney presented the draft investment Policy. He explained that the goal of the investment policy was to provide for low-risk, high liquidity investments for the District. The FDIC limit of \$500,000 would be monitored, and he felt the District should have little risk in adding bank accounts should the FDIC limit be reduced at the end of 2009. Mr. Cooney indicated in response to public comment that he did not expect that Banks would provide security for deposits above \$500,000, but would do additional research to see if there were Banks that could provide that security. Mr. Cooney indicated he was not aware of a prior District Investment Policy, and would research any existing policy. The adoption of this new Policy would be implemented to supersede any prior policies.

The Committee voted 4-0 to recommend that the District forward the Investment Policy to the Board for consideration.

3) Draft FY0708 Audit:

Mr. Cooney and Ms. Haber discussed the draft FY0708 Audit. They explained that the auditor would present to the Board the final audit at the June 18 meeting.

The Committee members expressed support for the format and content within the audit. Ms. Haber explained that the negative administrative balances were due to the accounting/budget method(s) used by the District. He indicated that the total of Government funds balance (summation of admin, capital, fire) was believable since the bulk of those funds were frozen per agreement with the Bankruptcy Court.

Director Sparks indicated that the management of the Water Quality Trust Funds provided an example of the difficulty in accurate representation of funds, due to the excessive/incorrect General Ledger entries in Nov. 06 & June 07 for a single cash transfer of \$280,000 that records indicate occurred in Nov. 06.

Public Comments:

Concern was expressed that the Fund 301 (or other) fund balances were not accurately representative of what the fund balances should be.

Committee members expressed that it was important to get an accurate representation so that the District had credibility with the Public. Mr. Veneris stated the importance of having accurate representation for Fund 300 balances. Mr. Veneris explained that the last time he had confidence in the Fund 300 reporting was when Bruce Buel was the General Manager.

The committee discussed various methods for gaining confidence in the fund balances. Director Sparks stated that prior auditors had indicated that the most accurate representation would be to re-create the fund balances from inception of the District. He also indicated that a detailed professional evaluation could have significant costs, and he believed the Board would likely evaluate the cost-benefit of significant detailed evaluation before expending District resources. Director Senet indicated that the Staff effort required for such an evaluation could be significant and would have to be considered.

Ms. Haber expressed that she believed a more detailed and substantive evaluation of the fund balances could be done via Cal Poly (Senior Project) and the quality of such an evaluation would be high based on her judgement/experience. Ms. Haber indicated she would do a little more research for that option for evaluation by the Committee and the Board. Ms. Haber indicated that she believed there had been significant Due/To entries that were not necessary and which added to the difficulty of evaluating the fund balances.

Director Sparks asked Staff that the Final Audit be forwarded to all committee members, and that comments to the GM would be appreciated prior to the next Board meeting on June 18.

Next Meeting:

The Committee set the next meeting date for July 20. The committee will discuss the FY0809 audit schedule and audit goals.

Submitted,  
Joe Sparks, Director