

RECLAMATION DISTRICT NO. 2035
BOARD OF TRUSTEES
MINUTES OF REGULAR MEETING
June 20, 2019

1. **Call to Order**

Pursuant to notice of a Regular meeting, which was posted and served on the members of the Board of Trustees of Reclamation District No. 2035 more than 72 hours prior to June 20, 2019, the Board of Trustees of Reclamation District No. 2035 held a regular meeting at 45332 County Road 25, Woodland, California. The meeting was called to order at 9:30 a.m. by President Thomas.

2. **Roll Call**

Trustees Robert Baker, Angelo Christie and President Robert Thomas were present. President Thomas noted that all Trustees were present and a quorum was present for conducting business. Mike Hall, District General Manager, Scott Morris, General Counsel, Denise Costa, Secretary, Kevin Lee from the District, and Ingrid Shepline from Richardson and Company (District Auditors) were present at the meeting.

3. **Public Comment**

There were no public comments.

4. **Approve Minutes**

The Board reviewed and considered the Minutes from the February 6, 2019 Regular meeting. Upon a motion by President Thomas, seconded by Trustee Christie, the February 6, 2019 minutes were unanimously approved 3-0

5. **Present Audit – Management Letter**

District Auditor Ingrid Shepline from Richardson and Company summarized the Audit for the year ending June 30, 2018 for the Trustees. She stated that the audit resulted in a clean report. One of the major changes in this audit is that the depreciation of the Joint Intake Project now only includes RD 2035's share. She also stated that the primary long-term liability facing the District is WDCWA payments related to the Joint Intake Project reimbursements of approximately \$470,000. President Thomas said approximately \$250,000 will be transferred to the Agency when the remaining costs are deducted. The District's net position calculation includes \$40M for the Joint Intake Plant and \$146,332 of cash. The negative change in Net Position (-\$206,000) is primarily due to depreciation of the Pumping Plant. President Thomas noted that the District has not been able to get \$644,000 in the reserves, and that from now on that should be stated as a goal so as not to impact the audit results.

Ingrid Sheipline stated there are no weakness in internal controls, although the audit has made some recommendations for improvement. The Governance Letter contains 9 minor adjustments. The Management Letter contains two recommendations for improvement: 1) the General Manager should review payroll; and 2) Some invoices needed to be stamped that were missed. Both are minor recommendations.

In addition, the auditor recommended annual review of the Investment Program. General Counsel Morris suggested annual review of the District's Conflict of interest policy at the same time, as well as insuring Trustee compliance with AB 1234 and sexual harassment training. President Thomas also requested that the District financial reports contain items for Grant Revenue, Capital Asset accounting and Revenue and Receivables.

After additional discussion, Trustee Baker moved acceptance of the Audit for the year ending June 30, 2019. Trustee Christie seconded and thereafter the motion to accept the Audit for the year ending June 30, 2019 was unanimously approved.

President Thomas then moved to approved the Management Letter Response. The motion was seconded by Trustee Christie and unanimously approved.

6. End of Year Financials

Kevin Lee presented the End of Year financial based on a handout provided to the Board. President Thomas then made several comments. He stated that the proposed budget is balanced, but the District still needs to build up a reserve fund. There is only \$50,000 in the budget for this purpose and it needs to be larger. He recommended the Board adopt the budget with a 2% increase or the CPI in O&M assessments, which is allowed under the O&M budget process (pre Proposition 218).

After additional discussion by the Board, President Thomas moved to approve the 2019-20 budget, with the following changes: 1) Increase the M&O assessment up to 2%; 2) the General Manager will report back on possible increases to the water rates; 3) Restate the reserve amount goals as presented above. Angelo Christie seconded and the motion was passed 3-0.

7. Update on Gravel Grant

General Manger Mike Hall reported that Gravel Road Project is now complete. The Board also reviewed a table of grants received by RD 2035.

No action was taken on this item.

8. Insurance

The Board received a report about the District's insurance policies from Mike Hall. WDCWA approached the District with a proposal to split their insurance policy for the pumping plant (instead of the 80/20 split). Their premium is about \$16,000 presently. The Trustees directed Mr. Hall to investigate this further and report back to the Board.

No action was taken on this item.

9. **WDCWA Annexation Agreement**

President Thomas provided background on this item. WDCWA wants to annex the pumping plant parcel to the City of Woodland to save approximately \$145,000 in property taxes annually. The District also wants to annex the same parcel to its boundary. President Thomas stated he is concerned about additional expenses arising in the future if the site is annexed into the City of Woodland, and said an agreement is being written to protect from that situation. Mike Hall stated annexation of the Mendocino Railroad parcels into the District could give the District the land connection required for the annexation, but needs to be further investigated.

No action was taken on this item as it was an update to the Board only.

10. **Contract Amendment on Siphon Gate Repair – Approve Notice to Proceed**

General Manager Mike Hall that the Siphon Gate is leaking. Contract documents were prepared by the District's Engineer and the project was put out to bid. After review, the Engineer and Counsel recommended award of the contract to Cushman Contracting Corporation in the amount of \$66,950. Mike Hall also stated he has applied to FEMA for a grant award to pay the cost of the repair.

After additional discussion by the Board, President Thomas moved to award the contract to Cushman Contracting Corporation in the amount of \$66,950. Robert Baker seconded. The motion carried on a 3-0 vote.

The meeting was adjourned at 10:38 am.

ATTEST:

Secretary, Reclamation District 2035