

**SANITARY DISTRICT NO. 1 OF MARIN COUNTY
SPECIAL BOARD MEETING MINUTES**

Wednesday, June 16, 2010
6:45 p.m.

750 College Ave,
Kentfield, CA

Members Present Patrick Guasco, President
 Marcia Johnson, Secretary
 Peter Sullivan

Members Absent: Sue Brown
 Steven Vanni

Staff Present: Brett Richards, General Manager
 Michelle Kenyon, District Counsel
 Randell Ishii, District Engineer
 Dennis Gavallos, Program Coordinator
 Kimberly Israel, Safety Coordinator
 Wendy Miller, Accounting Manager
 Sasha Amiri, Administrative Assistant
 Eva Waskell, Recording Secretary
 ADSI Security Guard

Public Present: The names reflected are those who signed in on the attendance sheet:
Chris Muenzen; Steve Seely; Marty Goldsbrough; Rafael Zarco. However,
there were two (2) additional members of the public present.

Item #1-ORDER The meeting was called to order by President Guasco at 6:50 p.m.
President Guasco then led the Pledge of Allegiance. Roll call was taken and a quorum was
present.

Item #2-APPROVAL OF AGENDA M/S Sullivan/Johnson to approve the Agenda as
submitted. The motion carried unanimously.

Item #3-CLOSED SESSION The Board adjourned to Closed Session at 6:51 p.m. for
LABOR NEGOTIATIONS pursuant to Government Code Section 54957.6.
Agency Negotiator: Brett N. Richards; Employee Organizations: A.F.S.C.M.E., Felix
Huerta; Unrepresented Employees: Management Staff and Confidential Employees.

The Board reconvened to Open Session at 7:25 p.m.

No reportable action was taken during Closed Session.

The Board took a break from 7:25 p.m. to 7:32 p.m.

Item #4-OPEN TIME FOR COMMENTS FROM THE PUBLIC Steve Duffy, a union
spokesperson for Local 2167, said that the contract negotiations arrived at an
agreement benefiting all parties involved. On behalf of the union, Mr. Duffy thanked the
Board, General Manager Richards and Business Manager Wilson.

Pamela Meigs of Fairfax, the newly elected Board member, said that she's been a union girl for 25 years as a member of the California Nurses Association. She thanked the Board for the six-year contract that was negotiated.

Rafael Zarco said he was a District employee for about ten years. He was also part of the union, and on their behalf he thanked the Board and said he was very grateful for the negotiations that came out really nice.

Item #5-CONSIDERATION OF PARTICIPATING IN THE ROSE GARDEN SEWER SIPHON PIPE NEAR THE FORMER NIVEN NURSERY, LARKSPUR, CA

General Manager Richards reviewed the staff report and noted that this item was being brought back at the Board's direction. Staff continued working with the developers who needed this project done in order for their project to go forward. He pointed out that approving this before the end of June was *significantly important* in terms of the project. Mr. Richards said that an in-house analysis was performed to answer the question from legal counsel, i.e. is this improvement a benefit to the people of Ross Valley? The answer was unquestionable yes. It's a main line infrastructure. It will eliminate a siphon and realign over 1,000 feet of District pipe by taking the pipe out of what will be the right-of-way of a number of homes. Staff will be attempting to complete the work before the end of the fall construction season and/or the end of the calendar year. We can do this if we're *not* held up by permitting or other issues we can't control that arise during the course of the work. Otherwise, we will get to it as soon as we can.

President Guasco said he appreciated the work that had been done on this, and saw it as a definite benefit to the District in eliminating antiquated infrastructure. He and Marty Goldsbrough, a civil engineer with the developer's project, briefly discussed the details of what would happen to the abandoned pipe. President Guasco was satisfied with the engineering approach being taken.

In response to a question from Director Sullivan, Mr. Goldsbrough stated that the ground level would be raised up to 5 feet.

District Engineer Ishii clarified for Director Johnson that this project represented the addition of about 1,100 feet of new pipe that the District would get credit for. Mr. Richards added that the District would be managing the project, and in terms of cost sharing, the District was getting a very good deal. He noted that the District's money will be put in escrow and when the project was signed off on, that money will be returned.

After a brief discussion, M/S Sullivan/Johnson to accept District staff proposal and perform the Rose Garden Siphon as a District CIP, with reimbursement from the developer. The motion carried unanimously.

Item #6-CONSIDERATION AND APPROVAL OF MEMORANDUM OF UNDERSTANDING BETWEEN AFSCME AND SANITARY DISTRICT NO 1 OF MARIN COUNTY

General Manager Richards reviewed the staff report and was happy to introduce the union agreement that took one year to negotiate and successfully dealt with some significant issues. He thanked the union representatives and participants

that were present in the audience and the Board members and legal team that worked on this. While Mr. Richards couldn't say enough about what this represented for the District, he did highlight three important components. First, the duration of the contract was for six years, rather than the typical three years, and this gave everyone involved more certainty. Second, the District will realize savings in retirement spending due to significant union concessions. Third, the District offered an increase in salary because the union did make these concessions. Mr. Richards thanked the Board for doing what the union asked for in this regard, and he thanked everyone for their time.

Mr. Richards made the following changes. He asked that the word "net" be added after the \$79K and after the \$480K that appeared in the staff report on page 2, paragraph 1, lines 5 and 6. This was done to make clear that these real life savings were *above* the pay increases offered to the union staff. On page 25 of the MOU, paragraph 3, line 5, he deleted the word "District's" for the sake of clarity. On page 25 of the MOU, he asked that paragraph 4 be deleted and replaced with the following text: *New Employees – All new employees hired after the effective date of this MOU shall pay the entire employee side of PERS contribution (currently 8%, but subject to subsequent increases)*. He emphasized that these changes did not change or alter the substance of the MOU but were done for the sake of clarity.

Board members pointed out three typos on pages 1 and 2 of the staff report.

Director Johnson remarked that this was the first labor negotiation she had been involved with for the District and she found the process very interesting in that she saw all of the various forces at work. She was very pleased that we could come to an amenable agreement without bad feelings being created or moral being impacted. She thanked staff very much for their involvement and helping the Board get to achieve one of its goals.

President Guasco echoed Director Johnson's comments and said he very much appreciated the fact that we all came to common ground.

After a brief discussion, M/S Johnson/Sullivan to approve and adopt the MOU between AFSCME and Sanitary District No 1 of Marin County for the period of July 1, 2009 through June 30, 2015 as amended. The motion carried unanimously.

Item #7-REVIEW, CONSIDERATION AND APPROVAL OF BUDGET FOR FISCAL YEAR 2010-11 General Manager Richards said that one of the Board members had an issue with dealing with the budget before the transition of a board. Mr. Richards had no comment about this position, but in the world of district management, we don't necessarily have the luxury of taking an extra two or three months, under some circumstances. We wanted to be prepared by the end of the year. Last year there was quite a bit of criticism as we staged our implementation through August, so we committed to the Board to have the budget ready by July. He stated that if the Board decided to hold over this item, staff did have spending authority and we can continue to do business. We have no preference regarding adoption or postponement. We can support whatever decision the Board makes.

Mr. Richards handed out to Board members a hard copy of his 34-slide presentation covering the FY 2010-2011 Agency Budget. A copy of this presentation is attached to these minutes.

SLIDE 2 We're going to cover the agency budget for the fiscal year 2010-2011 in a brief review. We're going to hit the highlights of revenue, the highlights of expenses, the highlights of capital production, and identify a couple of risks that we think we need to be thinking about as an agency, and then some brief conclusions.

SLIDE 3 PIPE BURSTING One of the first things we'd like to review is the District's pipe bursting program that was on the front of the newest newsletter. It's something that we're particularly excited about. One of the goals of the pipe-bursting program is to decrease the average cost per mile the District currently spends on infrastructure upgrades, saving over half a million dollars per mile of installed pipe at a minimum. Our expectation is reducing the per mile cost from approximately \$1.4M to somewhere between \$700K-\$900K, depending on our actual production for the year. This should be a savings of approximately \$1M for every 2 miles of pipe that we're able to install this way. Mr. Richards noted that we've already identified somewhere in the 3,500-4,000 feet range of pipe that we plan on hitting as soon as our equipment gets here in July. We're ready to go.

SLIDE 4 PIPE BURSTING Our second goal is to increase the speed at which the District is replacing aged infrastructure by 1 new mile of pipe per year. As you know, we have a 2-mile minimum average. Under your leadership, the District has already *exceeded* that average and has been for several years. Even with our somewhat light year last year, we're still ahead of the average. By doing *just this*, we'll increase our current minimum requirement by 50%.

SLIDE 5 PIPE BURSTING The third significant goal that we have with our pipe-bursting program is to significantly reduce I/I (Inflow and Infiltration) into the sewer collection system. We believe that will create long-term efficiencies both in collection system maintenance and in treatment operation costs. Our expectation is that the reduced I/I equals reduced maintenance expense, extended capital life for the infrastructure, and reduced treatment expense.

SLIDE 6 NEWSLETTER Staff has implemented a newsletter to educate and inform our customers about issues important to their interest. Feedback from the community has been *almost* universally positive. I say *almost* because there's one complaint I'm aware of, but I'm literally aware of *dozens* of extremely positive feedback.

Some of you may have noticed that we *did rush* an issue out at the end of May. We did that very strategically. There was a reason for that. It was the beginning of our construction season, and going forward we want to have a quarterly rotation of summer, fall, winter spring delivery. We want one issue to go out every year before the construction season so we can say to our residents, This is what's coming up and will impact you. And in the fall, we can have a newsletter that says, This is what we did. So the last issue was a little rushed but there was a good reason for it.

SLIDE 7 NEWSLETTER These are some of our "award-winning" newsletters. David Wren and I worked very hard on this, and there really is a difference between something a general manager might do and something a professional might do.

Director Johnson observed that the newsletters looked very polished and very

professional.

SLIDE 8 PRIVATE LATERAL GRANT PROGRAM I put the private lateral grant program last because I think this is one of the things we're most proud of. We implemented this program not right at the beginning of the year but pretty early on, and we've spent almost the entire first quarter million. I have *yet* to hear anything negative about that. Ironically, I *did* hear that San Rafael is making every effort to get their lateral grant program up and running this fiscal year. I wish them good luck.

President Guasco said that maybe San Rafael was taking a few cues from what the District was doing here and if so, that would be a great compliment.

Mr. Richards said that the grant opportunity assists homeowners with repairing their private infrastructure and helps to reduce I/I into the sewer collection system. Ultimately, this program, along with other measures to come as part of the District's "Swift I/I Reduction Program," will lead to reduced wet weather flow through the collection system, reduced wet weather flow to the treatment plant, and long-term operational efficiencies as a result. Please make a note of the "Swift I/I Reduction Program." Your Board gave staff direction to return in December-January with our production in the pipe-bursting program and when we meet or exceed our goals, we're going to bring an entire program back to you to talk about *significantly* reducing I/I much faster that has really been discussed. We're really excited about that.

SLIDE 9 PRIVATE LATERAL GRANT PROGRAM This past year staff distributed over \$180,000 in grant funds and we are working tirelessly to hit \$200,000 before June 30. We *are* close. This represents 3,700 feet of replaced sewer infrastructure. You'll find in your budget package that staff is recommending that the annual funding for this program be increased to half a million dollars a year for this year. We hope to have your support on this. It's a bargain. If we get a half million rolling and we spent that, we can get a serious discussion going next year. But at some place we're going to peak as far as how much people will take advantage of the program.

Staff noted that only 60 feet out of the District's 17,000-20,000 feet of private laterals have been repaired so far. Director Johnson calculated that at \$1.4M per mile, pipe replacement costs \$265 per foot. But this price is just under \$49 per foot. There was Board consensus that this was a huge bargain.

SLIDE 11 DISTRICT REVENUE RVSD receives various forms of revenue. A summary of our revenue is presented on page 7 of your budget document and a more detailed breakdown is presented on page 11.

One of the two areas where the majority of District revenue is received is sewer service charges, often called rates or fees. This year we expect to receive approximately \$15.6M. The second component is what is called ad valorem tax. This is a *portion* of 1% of property tax collected in the county. It is then distributed to qualifying agencies based on their previous year's performance. In our case, it's measured on capital performance. So if we put no capital infrastructure in the ground, we would either be limited or eliminated in total. I don't think you lose the entire award but it impacts it significantly. It's based on your capital production. And the District is now at the ceiling in this regard.

SLIDE 12 DISTRICT REVENUE Here you see a pie chart. The "Other" category represents various things from permits to minimal services and fees. It's a pretty small

category.

SLIDES 13, 14 DISTRICT REVENUE There are several areas in this budget that discuss potential risks and the need to consider a Proposition 218 hearing to increase rates. Staff does *not* feel that we need to steer in this direction right away. We just want to start the dialogue and build the language in the community and our documents. We need to begin the discussion. If it took all year to this, we'd be okay.

Mr. Richards clarified that this is the last rate increase and technically it would apply through June 2011.

As has been recommended by the California Special Districts Association (CSDA) and the Special Districts Institute (SDI), RVSD should consider adjusting the current District sewer charge *upward* to a level which will fully fund baseline operational spending, and then take ad valorem monies and use it for strictly capital projects, the lateral grant program and other things. The reason these agencies have been recommending this for some time and are currently recommending it is because the state has been talking for *years* about coming after this pool of money. Last year they got really close. If you're concerned about state bureaucracy and how slow they can go, in less than one year they created a mechanism to take a different pool of money, and created what basically amounts to some kind of a JPA-type organization where money could be borrowed by agencies like Vallejo and some of the ones that are struggling more after the money was taken. So it's not directly under attack but it's on the table for discussion. And if they decided to move, they can make it happen very quickly. We would be wise to base our operations on our rates.

Mr. Richards referenced page 11 of the budget document and noted that the \$3M loan is called out as income. Staff recognizes that loans are not income, but these particular \$3M funds have been identified as income since originally being approved some three or four years ago. So my staff made the decision to continue identifying it as income for the sake of transparency. But from this point forward if we're in a loan situation, you will not find loans under income.

SLIDE 16 DISTRICT EXPENSE RVSD has a number of expense categories and a summary is presented on page 8 of your budget document. A more detailed breakdown is presented on pages 12, 13, 14 and 15. The five areas where the majority of District expense is identified are capital projects at \$11.6M this year. That is significant for any agency. It's very significant for us, not because of the county, but because there are not a lot of huge cities, like San Francisco, but primarily smaller communities. So that's a significant expense.

The second area is operations where we're at approximately \$9M. That's less than \$1M a month and that's a fairly lean organization. We're still doing quite well and have no over-riding concerns with our operational expenses.

SLIDE 17 DISTRICT REVENUE Salaries and benefits are approximately \$4.3M. I considered adding in the matrices we looked at last year showing the savings for all the positions. But quite frankly, your Board has approved about half of them. When we get to talk about the other ones in the future, we'll bring the matrices back at that time to show the savings.

Mr. Richards clarified for Director Johnson that in the budget the benefits have gone up. The problem with it only going up is that there's no category under salaries and benefits

to show the savings to consultants because consultant costs are not a salary and benefit. So the consultant costs, in particular this year and in the years to come, will go down significantly.

The fourth area of expense is legal cost which is approximately \$1.7M. (More about that in a moment.) And administration cost is approximately \$1.3M which you'll find is lower than last year if I'm not mistaken.

SLIDE 18 DISTRICT EXPENSE Mr. Richards wanted the record to reflect that core basic legal services, what the District calls our BSLB (Basic Services Legal Budget), is pretty much a static number that revolves right around \$200,000 a year. Those costs don't vary a whole lot. Our basic legal service is pretty reliable and \$200,000 a year for an agency is not a lot of money. The bulk of our legal expenses have been, and will remain through this year, in defending our property at 2000 Larkspur Landing Circle. We're paying a premium to have to do that and it's unfortunate that we do. But the alternative would be giving up a significant asset that the District has had for many decades. So staff wholeheartedly supports continuing to fight that battle.

SLIDE 20 CAPITAL PRODUCTION The District's Capital Improvement Program (CIP) is in full force this construction season with two large-scale projects which represent two of the three most complex and important pipeline segments in the District boundaries. The first one is the Kentfield Force Main Project. Because of some changes and some footage we added in the last year, we changed the language from phases to segments to make the record clear for the future. This will be Segment 1 which includes all of the work in Larkspur up to the bridge, some injection molding in the berm alignment, some CCTVing and cleaning, and some CIPP work, i.e. lining sewer pipe, in the 30-inch gravity sewer that goes through the park behind Bacich School and under the football field of Marin Catholic High School. Segment 2 will begin next year and will finish the project. In total it will be somewhere between a \$9-10M deal. Even though we're paying a lot of money per foot for a project of this size, we are also getting *significant production* out of this project.

The second project we're doing is a single season project, Woodland/College/Goodhill. In fact, that will literally come right through here. (Mr. Richards pointed out the window of the meeting room.) He then described the entire route that the project would follow. They're using a huge siphon that was over-engineered by someone at Nute. It's a phenomenal facility that is so phenomenal that 40 years later we can actually expand our collection system and use that.

SLIDE 21 CAPITAL PRODUCTION The third biggest project is our big force main coming out of Greenbrae, going east on Highway 101, past the 101 exchange, past Larkspur Landing, along Sir Francis Drake, and eventually going through the mountain and into the treatment plant. This third project is some years off. But when the District has to do this project, it's going to be *huge*. It's going to be a very big project for the District and for the community. We're talking about a 50-year-old pipe.

SLIDE 23 RISKS I have to admit I was a bit tentative about including these just because of some of the energy in discussions. But at the end of the day, I figured I would be irresponsible not to include risks to my Board.

As with any agency in the post-recession era, or in some case still in the recession era, of essential utility management, though we are not dealing with some of the rather

unique fiscal and operational challenges some multi-service jurisdictions are, there are issues to be aware of and concerned about as we move forward.

SLIDE 24 RISK 1 One risk is the increase of rates at CMSA. I put a risk factor of eight out of ten on this. The reason I did was because we're about five years into double-digit increases. And this is having an effect on our budget and we need to consider how we're going to address that, at the very least an increase in rates.

Director Johnson noted that what's not included in here is that CMSA is spending \$165,000 for an outside contractor to do a CIP review of everything on site. She knows they're going to come up with a huge shopping list of major projects they want to build out, renovations and other new things. She guessed that CMSA would come up with an \$80-100M shopping list and look to the District for 54% of the funding. That means another \$40-50M from the District that we'll have to incorporate into our rate structure.

That can be, Mr. Richards replied, who then continued with his presentation.

I intentionally started at 2006 because in 2005-2006 CMSA had the initial phases of the Wet Weather Improvement Project, which was a significant boost that *all* agencies, as I understand, agreed to. So that's off the table from an operations point-of-view because it was approved. I want to show what are the increases *not* counting significant capital. What are just operational increases and how much is that affecting us?

I would like to point out that as a JPA, CMSA is *not* required to do a Proposition 281 hearing for our ratepayers. That is perfectly acceptable but it does create some challenges for us. This effectively means that a majority vote from the CMSA Board of Directors has the ability to increase RVSD's expenditures annually without any accountability to *our ratepayers*. About 15 months ago, staff wrote to CMSA and asked them to please consider adopting Prop 218 policies and accountability measures in an effort to work with us to protect our fiscal position. But up to this point, that has not changed.

SLIDE 25 RISKS Starting with the 2006-07 fiscal year, this is our annual expenditure for just treatment services and bonding costs. This is not extra services for several of these years, like FOG. It's just debt service and sewer treatment. But regardless, it's the number that we pay CMSA. So from 2007-08, it went up 15.5% in one year. From 2008-09 it went up 14.9%. Last year it went up 3.5%, a very reasonable COLA-type number and kind of an average increase. And we're expecting to see increases when they're done this year somewhere in the 5-6% range. These last two numbers are *fairly reasonable*, given average COLA-oriented type of operation increases. But the first two numbers are a bit of a concern. If you happened to go back *two* years and start before the bonding, then the numbers are huge. Because of the capital investment, our costs have gone up very significantly. That's part of being a treatment facility. I'm trying not to make comments about *the* costs but the *impact* of the costs is something we need to think about.

SLIDE 26 RISKS When CMSA costs go up, RVSD's available cash goes down until a Proposition 218 hearing may be performed. If/when the RVSD ratepayers choose to support a rate increase, the District receives the increased revenue. Until that occurs, all increases are absorbed by RVSD cash or reductions in operational and/or capital spending.

SLIDE 27 RISK 2 This risk involves the ad valorem property tax the District receives.

The District receives ad valorem property tax revenue, as do many agencies and towns in California. This program has been in existence for some time, and the District, as well as many other agencies, has come to rely on this revenue above our rate structure to minimize the annual rate impact to the ratepayer.

SLIDE 28 RISKS While this money comes from the ratepayer via property taxes, nonetheless, it is an amount derived from a formula which weighs the total capital work conducted in the service area the previous year before determining the annual award. Staff recommends that budget modifications be implemented which reduce the reliance on these funds.

SLICE 29 RISK 3 This is the Larkspur de-annexation. In 2009, the City heard a staff report at a council meeting recommending discussion, analysis and consideration of de-annexing part or all of the sewer collection system residing in the city limits of Larkspur. While staff has no specific position on if and whether Larkspur decides to attempt to de-annex, there are two possible risk factors which your Board should be aware of.

SLIDE 30 RISKS As a result of the exceptionally poor condition of the Larkspur collection system when it was turned over to the RVSD, the District was obligated by regulatory control to make improvements and perform maintenance in excess of the dollars collection from the “rate zone” created by LAFCO at the time of annexation. A rate zone is a technical word that LAFCO uses. If you were to read any of the literature on the Tiburon-Belvedere annexation, you’ll find the same word there. What happens is that when LAFCO looks at a possible realignment of agencies, if there is a funding inequity, i.e. if one of the parties is either not paying enough or is on a different footing than the other agency and it needs to be that way for a documentable reason, then LAFCO will identify that as a separate rate zone. And they will say that the rate zone needs to remain in existence for X amount of time. In our case, LAFCO said that the rate zone would stay in effect in perpetuity until the District is certain that the monies it receives in terms of rates is adequate to cover the dollars and expenses that we spend.

So let’s say that what we received in rate revenue from the annexed portion of Larkspur is \$10. But over that same period of time we were obligated to spend \$15 in the same area to take care of it. In that case, there would be an over-funding of \$5. But in reality, this amount of over-funding is approximately \$7.2M, and came directly from the other ratepayers outside of Larkspur funding RVSD revenue.

SLIDE 31 RISKS If a Larkspur de-annexation is successful, your Board needs to understand that part of RVSD District revenue will be affected. Staff wishes to assure the Board that while the amount of revenue at risk is *not enough* to inhibit or prevent continued operational performance by the District, a portion of this amount would need to be accounted for under a Proposition 218 hearing, and the District’s rates might need to be modified accordingly.

SLILDE 32 CONCLUSIONS The Ross Valley Sanitary District is in healthy fiscal condition, is a sewer organization which by all accounts exceeds Best Management Practices for collection system maintenance, at least in this state I’m sure. And with on-going support and leadership from your Board, there is every expectation that we will continue. The next slide is a view of the RVSD Organization Chart upon successful approval of this year’s budget.

SLIDE 33 RVSD ORGANIZATION CHART The dotted line around the category of Capital Pipe-bursting Crew in light yellow represents the positions that have not been approved or filled. We have not asked your Board to fill them. What this Capital Pipe-bursting Crew is today is our construction crew that we've converted, with your permission and under your direction. And so these employees, seen on the Chart as the Capital Pipe-bursting Crew lead and crew workers, do not exist. We don't have permission to recruit for them and we're not doing that. We've taken this construction crew and turned it into a pipe-bursting crew. In December or January we're going to report back on just how good a job we're doing with that.

These two positions under CCTV on the bottom far left of the Chart are on hold until we get the position of Lead CCTV Operator filled and get the equipment in-house, or at least until we have a *certain date* of the equipment arriving. When we have a certain date of the equipment arriving, you'll see us asking you to fill these second two positions so we can send our CCTV truck out everyday.

On the far right of the Chart in blue is a change we've made in the last couple of months regarding the addition of a second Maintenance Superintendent. It's hard to explain how well something is going to work until we see it. But I have told your Board on several occasions that it's just *too much work* for one superintendent to keep track of 12 or 14 or 16 people in the field going in opposite directions. It's different if you're in a warehouse where you can stand on a catwalk and watch your staff and monitor 20 or 30 people. But when people have their own vehicles and there are 26 square miles in the District, it's just too much for one person. Not to mention the fact that if there's an operation impaired at one end of our area and an operation impaired at the other end, there's a real controversy between what that person is going to focus on first. Thankfully, your Board let us have a second Maintenance Supervisor position. So we will have line staff and hot-rodding crews under one superintendent, and we will have SCADA, our pump stations and what will end up being the pipe-bursting crew under the other superintendent.

SLIDE 34 CONCLUSIONS Staff is pleased to present for your consideration the Ross Valley Sanitary District 2010-2011 budget. Thank you very much.

Director Johnson said that the finance committee met several times to discuss this budget which has gone through extensive review, consideration and analyses. She personally thanked District Engineer Ishii for his exquisite outlining of all of the various capital projects, and especially the summary page and its format. The organization and layout of the material was well conceived and very helpful in understanding what was happening with the capital projects.

Director Johnson also pointed out a typo on page 7 (In paragraph 1a, the per EDU amount should be \$592 instead of \$572.) and page 48 (Delete the word "general" on line 21.). Regarding the change on line 21, she pointed out that the \$1.7M was for the *entire* legal budget, including litigation, and not just the general category. District Counsel Kenyon agreed with making this change. Director Johnson concluded by saying she was thrilled with the budget and the exciting story it told, and it set the tone and the direction for how this agency was going to move forward.

Mr. Richards stated that all of the appropriate changes would be made to the budget.

Director Sullivan said he liked the budget but he would like it to be approved by the *entire* Board. He thought it would be wise to either wait until next week and have everybody here or wait until the newly elected Board member, Pamela Meigs, joins the Board. This budget was going to drive the Board's behavior for several years and he didn't think the Board needed to rush into doing it.

Director Johnson said it's usually the *exiting* board that approves the budget because it's the exiting board that understands the business and knows what *needs* to be approved and how the money should be moved. A fresh board member without experience in the industry was really going to be completely... The budget was going to be a mysterious thing to them. Even if they *were* a sanitation industry professional, *this particular budget of this agency* would be very difficult to comprehend. Director Johnson added that where she works, the out-going people approve the budget and it's something like an industry standard.

Let us agree to disagree on this, Director Sullivan replied. He said he refused to be bound by that tradition.

After a brief discussion, M/S Johnson/Guasco to consider adopting the Budget for FY2010-11 as proposed. Director Sullivan abstained. The motion carried.

Ms. Kenyon clarified that a resolution needed three votes to pass. But since there was a quorum, two votes was sufficient to pass the budget.

Director Sullivan said he thought this was a big mistake.

Item #8-ADJOURN The Board adjourned at 8:35 p.m.

Marcia Johnson
Secretary of the Board