

Georgetown Divide Public Utility District  
6425 Main Street, Georgetown, California 95634

## MINUTES

### FINANCE COMMITTEE

#### Regular Meeting

THURSDAY, February 24, 2022

3:30 P.M.

#### Finance Committee Members

Steve Miller, Chairman      Marilyn Boehnke, Secretary  
Andy Fisher, Vice Chair      Robert Stoffregen, Member

#### Board of Directors Liaisons

Mike Thornbrough  
Mitch MacDonald

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### MISSION STATEMENT

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It is the purpose of the Georgetown Divide Public Utility District to:

- Provide reliable water supplies.
  - Ensure high quality drinking water.
  - Promote stewardship to protect community resources, public health, and quality of life.
  - Provide excellent and responsive customer services through dedicated and valued staff.
  - Ensure fiscal responsibility and accountability are observed by balancing immediate and long-term needs.
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#### 1. CALL TO ORDER — ROLL CALL — PLEDGE OF ALLEGIANCE

Chairman Steve Miller called the meeting to order.

**Roll Call:** Present, Marilyn Boehnke, Andy Fisher, Robert Stoffregen, Steve Miller

**Pledge of Allegiance:** Andy Fisher led the pledge.

#### 2. ADOPTION OF AGENDA

Motion by Andy Fisher to adopt the agenda. Seconded by Marilyn Boehnke.

#### CALL FOR THE VOTE:

**AYES:** Andy Fisher, Marilyn Boehnke, Robert Stoffregen, Steve Miller

**NAYES:** None

**OBSTENTIONS:** None

**MOTION PASSED.**

**Public Comment: Cherie Carlyon**, I did not get the agenda emailed to me. Usually, it is emailed when it's posted. The Agenda was at the top of the first packet. At Board meetings it is separate from the packets. The Agenda should have "FC" in front of it. When I download it, it just says Agenda and the date. Then can the date be consistent with the Board meetings—they always put the year first, then the month, then the day. I like how the meeting and Zoom ID was highlighted on the Agenda.

### 3. APPROVAL OF MINUTES – MEETING OF January 27, 2022

Marilyn Boehnke motioned the minutes of January 27, 2022 meeting be approved as corrected. Andy Fisher seconded the motion.

#### CALL FOR THE VOTE:

**AYES:** Andy Fisher, Marilyn Boehnke, Bob Stoffregen, Steve Miller

**NAYES:** None

**ABSTENTIONS:** None

**MOTION PASSED.**

### 4. FINANCE COMMITTEE MEMBER COMMITTEE COMMENTS AND REPORTS

No comments or reports.

### 5. INFORMATIONAL ITEMS

#### A. Introduction of new Committee Member — Robert Stoffregen

**Robert Stoffregen:** I grew up in Duluth, Minnesota. I had an interest in accounting, got an accounting degree, and went to work for an accounting firm. Went to law school and left accounting thinking I wanted to practice law. It turned out I didn't enjoy practicing law. So, I went back to accounting.

I moved to California to become a partner in the accounting firm. I did that for a number of years. I had an offer to go to work for a client as Chief Financial Officer (CFO) for a public company. For the next 20 or 30 years I was variously CFO of troubled companies, start-up companies seeking public funds, or consulting CFO for a time, usually involved with companies I would euphemistically say were in transition—which meant they fired somebody or lost financing. I've spent a lot of time getting into new situations trying to figure out what is what and who is who. I think I'm well prepared to join this committee.

#### B. Further Recruitment

**Steve Miller:** Bonnie Neeley has submitted a resume for Board consideration and approval at the March Board meeting to join the Finance Committee. Does anyone else have someone to consider?

**Marilyn Boehnke:** If she is approved, we don't need any more. Our max is five.

**Steve Miller:** It is five officially, but there have been times when it was seven. If you think of someone, tell them it's not a done deal for Bonnie—although I suspect it will be approved. If someone is interested, we can hold them in reserve in the event of a future opening.

**Director MacDonald:** As we know Mr. Chairman, five solid committeemen are better than seven rubber-stampers.

## 6. FINANCIAL REPORT

### A. Review January 2022 Budget to Actuals

**Adam Coyan:** I did this report a little different. At the end I included a monthly breakdown of the whole year. We're going to have to do a budget amendment at some point because we're over budget. The report breaks down each month going back to February of 2021 how much was spent each month by each department. What I'm working on is coming up with a projection of how much we'll spend for the rest of the year based on these numbers.

It would be my hope to have this committee review the projections at the next meeting to give the Board a recommendation on how much of a budget amendment will be necessary.

**Robert Stoffregen:** Adam, can you put together assumptions for your go forward request?

**Adam Brown:** For the most part yes. Everything is pretty standard. We broke out capital improvement projects. But there is still some capital improvement still in the budget-to-actuals every month. That was due to our contract CPA refusing to put the budget-to-actual where I asked him to put it.

If you notice on the initial printed out sheets of budget-to-actuals (from Tyler) the capital improvements are in there. In the spreadsheets further down that are the 5-year history, I took out the capital improvement projects from those numbers. Those numbers are accurate.

As I worked on the projections, I updated the spreadsheet in order to include more categories mainly the material and supplies, and office supplies. I am hoping I can have something to present to the Finance Committee next month with a projection of how much is needed going forward, with a write-up for each month on what can be anticipated beyond the normal costs.

**Steve Miller:** I had a question on the Water Fund (Fund 100)—in the spread sheet I'm creating, the total of what's in the body never matches the total of the column. Do we know why that is?

**Adam Coyan:** This is how much money comes in. The water fund that's there is revenue. Our total current budget for revenue is \$2,120,000. The fiscal activity to this date we have \$1.566 million for residential water sales. For water sales irrigation, we've only received \$233,328 so far in water sales funds. Some of the issues I see here is we don't have any interest income yet. It may not have been uploaded into Tyler. On Grant Proceeds, we're at a negative \$119,514. Grant Proceeds are not in the budget. We may have paid that out in grant. We do pay for the water meter program—it's a \$500,000 grant—we initially pay the funds, then get reimbursed.

When I first started to do budget-to-actuals, I thought the journal entry corrections had been made. However, we were still paying bills in July and August from the previous fiscal year with this year's budget finances. I thought our contract CPA had made those corrections; we didn't have an office manager at the time, but they had not. Those journal entries have since been updated. I'm wondering if there is another category getting included in the math that doesn't show on the report. I'll look into it.

**Andy Fisher:** Looking at page 14 of our packet, what would be the story under the Water Fund—it looks like expected revenue and sur-charge of \$648,923, doesn't look like we've received any, and Penalties looks like an expectation of \$45,400 and we've received \$160.

**Adam Coyan:** For Penalties—the sur-charge is the ALT money for the Sweetwater Plant. We receive it with every residential water bill. I don't believe that's been input into Tyler where Tyler is accounting for it. That will be something we're going to have to do some internal control changes in Tyler. There is some error happening where it's not accounting for it. For the Penalties, I'm not sure. It could be an annual amount. I will check into that as well.

**Andy Fisher:** What is the change in policy on late fees?

**Adam Coyan:** In February 2022 (Resolution 2022-09) the Board reinstated penalties, late fees and the moratorium on shutoffs was ended. They're going to start again in 60 from signing the resolution.

We weren't allowed to penalize people who weren't paying due to COVID, or shut them off. The uncollected money was included with the arrearages.

**Andy Fisher:** So, the budget will be whole, just paid for by the government COVID stimulus bills rather than penalties themselves.

**Adam Coyan:** Yes. The arrearages program did not cover irrigation, because it was not considered as necessary for life commodity.

**Robert Stoffregen:** The fiscal activity for Water Fund revenue is \$1,566,000, the percentage remaining says 26%. So obviously the revenue coming in for water sales is not even throughout the year. Did we merely under budget for the revenue?

**Adam Coyan:** Correct. I under budgeted because we were in a drought and in past years people used less water. I wanted to underbudget based on past years instead of anticipating more revenue than we would have received,

**Robert Stoffregen:** So, that will come out—in what I'll call the forward look—when you take actuals to date then project out the remaining months what you believe will occur. We'll see the perspective 12 months ending June 30<sup>th</sup> will be better than budget.

**Adam Coyan:** Correct. That will be part of the projections for the budget amendment. I'll also project the revenue stream.

**Robert Stoffregen:** You talked about the negative in grant proceeds. If you're paying out on something related to a grant in anticipation of getting a refund at a later date, accounting rules would say you ought to book the refund expectation or defer the payment. That tells me that we're on a cash basis. Maybe this is something the Finance Committee can help you with—target those accounts that should have monthly accruals in and out so we see statements that are more reflective of accounting income rather than cash income.

**Adam Coyan:** That would be wonderful.

**Bob Stoffregen:** It sounds like Steve Miller you have an Excel spreadsheet that would help with that exercise?

**Steve Miller:** What I am building is a tool to help make the budgeting process easier. I'm trying to make the budget an ongoing process rather than what I call "sprint and drift".

**Adam Coyan:** Part of the issue I've had with Tyler is for example, right now there are Board packs being built. Each department has a list of transactions which they itemize to different funds for expenses. Then I review and approve it. As those Board packs are being built, it effects the budget even though there hasn't been checks cut in Tyler for the budget to actual reporting. When I go through the reports all the blue highlights on them, I can click and go into details in Tyler to get an overview of transactions. If there are pending Board packs, even though they haven't been approved, it will affect the balance. When I make the budget to actual report, I try to do it after the Board packs have been approved and checks have been cut. But it's not always possible.

**Robert Stoffregen:** It sounds like you have gate control in your accounting system which theoretically be easily fixed. If people are making entries under that system, that's why the numbers are moving. Absolutely from a standpoint of internal control we need to make sure you've got gate control over who's making entries.

## **B. Pooled Cash**

**Adam Coyan:** Pooled cash gives the current balances of what we have at that moment. This becomes really important when you look at reserve policy—how much we hold in reserves, whether we have an abundance beyond the reserve capacity or what. This becomes important to determine if are we aligned with the reserve policy or are we bloated on cash. You need to track reserve accounts going forward.

**Robert Stoffregen:** From my perspective, one needs to look at cash movements from the stand point of all the various assets and liabilities. I can't look at a negative and make any sense out of it because it might have been early payment of accounts payable, or purchase of prepaid insurance or something. I hope we would be able to get out of your system a traditional looking source and use of funds or a cash flow schedule—this isn't that.

**Adam Coyan:** I'll see if I can get that for the next budget to actuals for the March meeting.

**Steve Miller:** Looking at the reserve accounts, to my knowledge, no one has put a cap on them. When you've funneled enough money into the reserve account, there should be something that says there's enough in the account and I don't need to put any more into it. Rather than continuing to put money in reserve, you look to some other opportunity or do something we didn't think we had the money to do so.

**Robert Stoffregen:** What reserve study has been done if anything? Has there been engineering analyses by outside consultants who put together who put together, for example, the 73 miles of canal and the various plants we have and said these have a life of "X", they're "Y" old now therefore their "Z" years remaining? The anticipated replacement cost is a certain amount. With all of those numbers, one can sort of figure out how much you're going to need to put away each year to fund those replacements. What data have we already got to work with if anything?

**Adam Coyan:** We had a free report prepared by the Rural Community Assistance Corporation (RCAC) that had some errors and flaws. We have a report from KASL

Consulting Engineers that lists all the assets and associates a life span with those. Some of it could be done in house. We know we have 200 miles of pipe that needs to be replaced within 40 years—in today's money that would be \$113 million dollars. That's not including 75 miles of ditch, the dam (maintenance), the buildings, tanks, or the increased costs associated with personnel. We have huge liabilities going forward.

We currently have a Request for Proposal (RFP) out to update the Water Discharge Requirement (WDR) for Auburn Lake Trails to include a list of assets with their associated lifespan.

I am currently reviewing asset management software that will build in a periodic maintenance system for all items we have and associated inventory. We can track the maintenance on the vehicles, pressure relief valves and things of that nature. It will help anticipate the cost of the periodic maintenance system. We'll be able to assign lifespans to things inside the system and get a replacement cost estimate. Finally, we're doing a staffing level and a salary survey. It's planned that we'll do a rate study based on all this information to develop a realistic rate we can justify.

### C. Check Report

**Robert Stoffregen:** Is it expected the Finance Committee do some sort of forensic analysis to look for questionable payments? Why are we getting this report?

If this committee is supposed to give thoughtful guidance to the Board on financial matters, I believe it would be within our remit to say our thoughtful guidance questions about anomalies or variations can best be answered by other analyses.

**Marilyn Boehnke:** Do we recommend to the Board that the Check Report no longer be included in our packets or their packets?

**Robert Stoffregen:** I would frame it that there can be more thoughtfully prepared reports that would enable the Board to see if there is out-of-line spending or out of line revenue. The Finance Committee would propose to focus on those reports and would share with the Board what a draft of those reports might look like.

**Director Thornbrough:** It will stay in the Board packet because it's not for the benefit of the Board and it is there for the benefit of the public. The Board packet disseminates information to the public as well as the Board. As far as it being in this committee's packet, that's your decision. You determine what your agenda is going to be and what's going to be in your agenda. If you don't want that part in your agenda, then I would say take it out.

**Robert Stoffregen:** If it's history for the public. I wouldn't propose to rock the boat—let them see it. This is digital paper and that's pretty cheap.

To the question, I would propose that in terms of the on-going agenda for the Finance Committee, we not review the Check Report or Pooled Cash.

**Director Thornbrough:** As was said, it's going to be reflected in your other reports. When you look at the budget you can see when an account is approaching the budget going over or that sort of thing.

**Robert Stoffregen:** If it is on our agenda to review, it's going to consume our time and if we truly believe that's not the best use of our time, let's let the Board know we are not bearing the responsibility of making that accurate—that's management's responsibility.

**Marilyn Boehnke:** On our agenda then, we would just review the Budget to Actuals, we don't need the Pooled Cash or Check Report.

**Robert Stoffregen:** I would suggest the Board look at what Adam and Steve have referred to—which I will call the forward look. Each month we would expect to get from management a forward look with month over month actual amounts that are incurred revenue and expense. Then for the balance of the year a budget number an expectation which from time to time would be “trued up” by management to reflect what he believes is going to happen. I'll call that the forward look.

**Marilyn Boehnke:** I call it projections. We need to know where we are right now. What are our actuals and what we're looking at going forward—where are we going to be over or under, and where we balance out.

**Robert Stoffregen:** The District is still digesting a system conversion and we all have ideas of schedules we like. We should distill that and take another month to say “let's look at this stuff” on an ongoing basis. Heavy on the variance analysis, heavy on the forward look with the materiality standard. Once we agree on what things are going to look like in terms of the form—Excel or system generated—we could then make a proposal to change the way we describe what our monthly review responsibility is.

**Andy Fisher:** I have found the check report helpful in that it flushes out different expenditure line items, and who's getting paid what. But if it is on file elsewhere, having it on file with us doesn't matter to me. If it's available for reference that's great, but it doesn't have to be in front of us on a monthly basis. While there is a ton of granular data, there's not enough data for us to look at and make any kind of an informed recommendation. It is hard to tell on any given line item or check all of the reasoning that goes into it. I like where you're going, I support that it comes out of our packet.

The idea of forward projection I think is great. But I don't believe it's the first time we've brought it up. Adam has some ideas for bringing up the forward projections taking into account the seasonal variations—just the strict percentage of where we are in any given fiscal year is not the whole story.

**Adam Coyan:** Yes. I have a spreadsheet I'm working on—I'm taking the raw data out of Tyler. I'll also start looking in Tyler itself. If Tyler doesn't have a report, I can use Tyler's Cell Sense tool and link the data to an Excel spreadsheet, then it auto populates the data into the cells. My plan for our next meeting is to do a forward look projection report, month-by-month revenue, expense I think is already included. Then I'll look into the source of funds and cashflow reports as well. I'll report back where I am with them or actually have the in the financial report as well.

**Director Thornbrough:** One more thing as far as the checks go, remember every check has to be signed by the Board Treasurer, which is me. Adam will vouch for the fact that I do ask a lot of questions when I sign the checks.

**Robert Stoffregen:** Made a motion the Finance Committee will review selected variance analyses reporting used to identify anomalies on income and expenses; and focus attention to monthly reporting comparison to budget and variance reporting migrating away from reviewing check listings, although they can be part of the committee package.

**Steve Miller:** Seconded the motion.

**CALL FOR THE VOTE:**

**AYES:** Andy Fisher, Marilyn Boehnke, Robert Stoffregen, Steve Miller

**NAYES:** None

**OBSTENTIONS:** None

**MOTION PASSED.**

**Andy Fisher:** There should be some kind of at-a-glance policy and mission statement for the public to know what and why we do and don't do.

**Steve Miller:** I will put something together and email it to you for discussion and approval at the next meeting.

## 7. Old Business

### A. Review Conceptual Agenda timeline for possible update amendment to the Board of Directors

**Adam Coyan:** The agenda is supposed to be set by the General Manager, the Committee Chairman, and President of the Board.

The issue is the timeline is like a summary of what the Finance Committee should be doing and when it should be doing it. The problem is the Finance Committee is a month behind the Board. When that happens, all the Finance Committee is doing is approving things the Board has already taken action on. It turns the Finance Committee into a rubber stamp rather than an advisory committee.

**Marilyn Boehnke:** This sounds like we're supposed to consider the timeline for possible up date. If we're behind on the timeline we need to get moving.

**Robert Stoffregen:** Adam, why don't you propose a revision to the conceptual timeline for us to review. I agree the timing should be sync'd up with what's on the Board's mind. I would agree the timeline would have the important things on it—the capital improvements program analysis, when do we start that, when should it be done; the budget, when do we start that...

**Adam Coyan:** Cash surplus transfer looks like it will be on the next Board agenda, and that should have been viewed at this meeting to make a recommendation to the Board. Even though it's a Board decision, the Finance Committee should have reviewed the audit and made a recommendation on how much surplus there was to be transferred from 2020–2021.

Things of that nature should be included in the timeline so any major financial or budgetary decision going forward, the Finance Committee should have done a review and made a recommendation for the Board. That is my understanding as to how the finance Committee is supposed to work—in conjunction with the Board.

I would like to update the timeline and bring it back to you for approval.



**Robert Stoffregen:** I move the General Manager update the Conceptual Agenda Timeline.

**Marilyn Boehnke:** Seconded the motion

**CALL FOR THE VOTE:**

**AYES:** Andy Fisher, Marilyn Boehnke, Robert Stoffregen, Steve Miller

**NAYES:** None

**OBSTENTIONS:** None

**MOTION PASSED**

**8. New Business**

**A.** Capital/Reserve Budget Review — Discussed earlier.

**B.** ALT Wastewater Rate to Budget Review

**Steve Miller:** The ALT Wastewater Rate to Budget and Budget Review, we need a time and motion study to know what the actual costs are to the District. We also need to take a look at the contract that was signed in 1984 that deals with this review. One of the stipulations is the water District can only charge what the costs are. The other thing which has been violated since 1984 is the Community Disposal System (CDS) is the sole responsibility of those people who are on the system and it can not be augmented by people who are not. People who are not on the CDS system (non-CDS) have been augmenting it since 1984.

We need to make sure we understand the contract. If there are subsequent contracts, they need to come to light. Then we need to look at what are we going to about 40 years of over charge. Going forward, what we need to charge in the future accepting the premise that CDS is a stand-alone system responsible to 123 homes that are on it.

To the extent that some analysis needs to be done, I would recommend this committee do it. I have all the documents and we need to make sure what the documents say and make sure we don't have any subsequent contracts. Then we need to make a recommendation to the Board as to what should be done going forward.

**Robert Stoffregen:** We have two groups here—ALT and the water District—as we deal with water District issues, are you saying we need to do an analysis (I'll call it activity-based costing) to determine what the charges should be. Then we can make the determination the history is out of whack with it?

**Steve Miller:** Yes. There is a subsidy by the individually septic owners who are not on the system to the 123 homes on the golf course. If we determine that, we then go forward to determine what through a time and motion study as to what the actual cost of GDPUD monitoring the CDS system—that's what should be on your bill.

**Marilyn Boehnke:** What needs to happen, is the extra payments need to stop immediately. Then they can determine if they're going to pay anybody back. The

contract stats that only the homes on the system should be charged, yet everybody in ALT has been paying.

**Robert Stoffregen:** Then there are two issues here, a quantity issue and a rate issue. It appears that too many people have been billed and the rates may be out of whack. We need two sets of analysis to understand what the facts are.

With the analysis, studies, histories...we have enough on our plate why can't we move on. Determine the Districts actual costs are for servicing the system, charge only those who are connected to it, and stop charging those who are not.

We're going to advise the Board what the facts are. The Board will decide what to do from there. It's a Board level decision.

**Director MacDonald:** A few years back, instead of returning the overpayment of premium, which it may be considered as, it was given back to the rate payer. Newer residents' benefit from 30 years of over-payment of premiums. The attorneys said if it would have been pro-rated based on how many months you lived here and track it back, they were going to make the effort to get the people who over paid back their money. They decided it was a gift of public funds. Then they decided drain the reserve and give a credit for a number of years, which expires next year. We can move forward from here.

**Marilyn Boehnke:** Are the people not on the system still paying the subsidy?

**Director MacDonald:** Yes

**Marilyn Boehnke:** That's got to stop then. Going forward, we have to figure out what the rate has to be.

**Robert Stoffregen:** I would propose Steve does a review to determine what the operative documents are that control this matter and provide copies to the rest of the Finance Committee along with whatever judgements he has made.

**Public Comment:** Cherie Carlyon, there was a rate study done on this in 2019.

**Adam Coyan:** Let me see what data is tracked internally for numbers on whether their tracking time per each inspection or they're tracking it to CDS and non-CDS. I'll find out how much data there is and how it's classified. I can send out a blind email to the Finance Committee and the Board liaisons with the data we have. If there is actual hard data with numbers, I'll include it as well.

### **C. Time availability for joint 2022-2023 Budget workshop with the Board of Directors**

**Adam Coyan:** The joint meeting is a discussion a workshop. With the workshop you can get public interaction. My goal is to have the budget approved at the June meeting—the budget and the capital improvement projects.

Usually, these workshops are held in the evening so the public can attend. We're looking for a general availability. In his Board report the Chairman can say the Finance Committee is available for a joint budget workshop after 5:00 on weekdays or such. If we could wait until after the 21<sup>st</sup> of March, I have an Office/Finance Manager starting the 21<sup>st</sup>.

**Steve Miller:** I am not available until April 5<sup>th</sup> and thereafter.

**Adam Coyan:** We could do the beginning of April, that would give me time to get some projections together.

The committee agreed on April 5, 7 and 8 with 5:30 being a better time for those who work.

**9. Agenda Items for next meeting**

A. Begin Review of FY 2022-2023 Budget

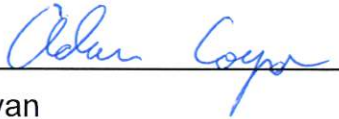
**10. Next Meeting Date and Adjournment** — The Finance Committee set the last Thursday of the month at 3:30 PM for the regular committee meeting.

**Steve Miller:** As March 31<sup>st</sup> is out for him, he proposed the meeting be scheduled for **March 24<sup>th</sup>**.

The committee was in agreement.

**Steve Miller** moved for adjournment. **Robert Stoffregen** seconded the motion.

**Meeting Adjourned**



\_\_\_\_\_  
Adam Coyan  
General Manager



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Date