

**SPALDING COMMUNITY SERVICES DISTRICT
REGULAR BOARD MEETING
August 20th, 2021**

APPROVED BY DIRECTORS:

Ted Thomas
Mike Arnold
Ed Lawson

MEETING ACCESS: EAGLE LAKE COMMUNITY CENTER, SPALDING
**BOARD MEMBERS/STAFF PRESENT: MIKE ARNOLD, CHAIRPERSON, TED THOMAS, VICE-
CHAIRPERSON, LARRY DOSS, DARREN READ (BY PHONE), ED LAWSON**

MEETING CALLED TO ORDER BY Mike Arnold at 3:00 p.m.

1. PLEDGE OF ALLEGIANCE

2. APPROVAL OF THE AGENDA-With changes to item 13

Motion: Approve the agenda.

First: Ted Thomas

Second: Mike Arnold

**Roll Call: Larry Doss – yes; Darren Read – yes; Mike Arnold – yes; Ted Thomas – yes;
Ed Lawson – yes**

**3. STAFF REPORT – Solar Panels up date. Linda Hembree reported that 3 panels are out.
We are waiting on Almanor to be able to get to us do to the Dixie fire.**

4. GENERAL MANAGER’S REPORT TO THE BOARD

Ken Coffey chose not to renew his contract.

5. FIRE CHIEF’S REPORT TO THE BOARD

So far we are safe, but to heed the reflag warning and not fires are permitted.

**6. PUBLIC COMMENT: Mike Arnold read two letters from Kari Graton and two letters from
Diane Please see attached**

7. APPROVAL OF MINUTES

Motion: Approve the June 18th, 2021 minutes

First: Mike Arnold

Second: Larry Doss

**Roll Call: Mike Arnold – yes; Darren Read – yes; Ted Thomas – yes; Ed Lawson – yes
Larry Doss –yes**

Motion: Approve July 30, 2021 Special Budget Meeting:

**It was requested that more information was needed, and to check with the Brown
Act; in regards to minutes, along with the lawyers remarks. See attached**

8. CONSENT AGENDA

There were no items on the consent agenda.

9. PUBLIC HEARING

There were no public hearings.

10. **BOARD MEMBER / COMMITTEE REPORTS / BOARD MEMBER COMMENTS**

11. **NEW BUSINESS:** Consider options and approach for recruiting new GM

Motion was made to form a new Committee= To review Ordinance and Policy
Of Job Description for a new GM, CPA, and Bookkeeper that is bondable.

The Committee name to be Spaldingcsd Recrut & Retention Committee.

Motion was made By Mike Arnold 1st Larry Doss 2nd

Mike Arnold Yes Ted Thomas Yes Larry Doss Yes Ed Lawson Yes 4yes

12. **CONTINUING BUSINESS**

Approval of Preliminary Budget 21/22

1st by Mike Arnold, 2nd Larry Doss

Mike Arnold yes, Ted Thomas yes, Larry Doss yes, Ed Lawson yes

13. **CLOSED SESSION:**

No closed session

ADJOURN

The meeting was adjourned at 5:05

The next regular meeting scheduled for September 17th 2021 at 3:00pm

Respectfully submitted by: Sharon Moats

Please read the following statement at the Aug 20, 2021 meeting during the period reserved for public comment.

On November 20, 2020, **the District** General Manager introduced Resolution 2020-3 to the Board of Directors and recommend it's approval. Board members in attendance voted unanimously to approve it.

The Resolution claims to be an instrument to document and approve an interfund loan between **The Districts** "Sewer Capital Replacement Fund" (reserve) Account No. 7603405, and **The Districts** "Sewer Cash Account" No.227, stating that the sewer cash account had provided several "short term loans" to the sewer capital reserve and **The District** desired to use funds from the Sewer Capital Reserve to repay the cash account.

In essence, Resolution 2020-3 was merely an immediate transfer of funds from the Sewer Capital Reserve Fund No. 7603405 to the Sewer Cash Fund No. 227.

A review of meeting minutes and **The Districts** budgetary documents over the previous four year period reveal **NO MENTION OF ANY LOANS FOR SUCH PURPOSES OR ACTIVITIES, CONSIDERED OR VOTED UPON BY THE BOARD**, other than a longstanding loan for a solar power array to offset power costs for **The Districts** office building, which was not named in **The Resolution**.

California Government Code which regulates the activities of Community Services Districts prohibits the transfer of funds from "designated reserves for capital outlay" (account no. 7603405) to "cash accounts" (account no. 227).

- **California Government Code Section 61111 CA Govt Code § 61111 (2017) (a)**
At any regular meeting or properly noticed special meeting after the adoption of its final budget, the board of directors may adopt a resolution amending the budget and ordering the transfer of funds between categories, other than transfers from the designated reserve for capital outlay and the designated reserve for contingencies.

Previous to the drafting of **The Resolution**, **The District's** contracted accountant, Mary Cheeks, sent an email to The Lassen County Auditors staff and **The Districts** staff stating that she, the County staff and Mike Arnold, Board Chairman, had identified expenses which could have been paid out of the Capital Reserve Fund (No. 7603405) and instructed the County staff to "move \$78,288.96 cash from the 7603405 account to the sewer general checking account"

But in fact, these expenses were NOT budgeted for out of Capital Reserves, they were budgeted as O&M, 227, and paid as such. Now, with a "cash flow deficiency", Resolution 2020-3 was a pea and shell game deflection of poor planning, and a demonstration of your Boards unwillingness to hold a proper public hearing on a mid-term budget adjustment as prescribed by code. Instead, you just "moved funds" and wrote a double talking Resolution that is NOT in accordance with California Community Service District Financial Codes and Regulations.

A Public Records Act Request I submitted to the Lassen County Auditors office reveals that the sewer cash account had been in the red with a negative balance of up to \$80,000 dollars for the previous 15 month period. The transfer of the \$78,288.95 appears to have been a remedial financial transfer to cure the 15 month period that SCSD had been writing "hot checks" to **The Districts** payee's. For 15 consecutive

months, your Board had been authorizing staff to write "hot checks". You were signing checks faster than sewer fee's were coming in to pay for them. Just think about that.

Imagine, if any one of us had been writing checks on our personal accounts with insufficient funds for a period of over one year, and with a negative balance of up to \$80K. We would be charged with FRAUD! So please explain how you will pay back the Capital Reserve for the funds you took from that account to pay for hot checks budgeted for sewer O&M? Please, just explain your actions. Are you going to say you did it for the benefit of the community again?

Know this.

The community doesn't want you to continue to willfully break the law in the name of the good of the community. If we did, that would make us, co-conspirators. We are not that. Not at all.

Kari Graton

I have the following statement to be read aloud at the Aug. 20th Board Meeting for Item #11a Hiring a General Manager.

California Law and The Districts Ordinances mandate SCSD to retain a QUALIFIED General Manager.

While it is convenient and good practice to hire a GM as a District Employee, the last six years without a qualified General Manager on staff has handicapped your Board. Your Board has taken many actions outside the boundaries created by the California Regulatory Code during this period. This dysfunction has alienated a large portion of your constituency.

While it may seem admirable for Board members to step up and try to fill the gap of a vacated professional position, in the end, as has been proven, it does not help the community function, and may well put The District and each of its Board of Directors members in legal jeopardy. It is not in the best interest of the people of The District to continue to have their Board Members act as professional agency managers, budget guru's, accountants, bookkeepers or planners. That is not why we elected you, we elected you to act as our peer's and to be decision makers in our behalf. We pay fee's for services and expect you to be good decision makers, and to hire experienced professionals with backgrounds in public agency management to act as a General Manager and other professional staff. Without that professional guidance, any agency will eventually find itself dysfunctional. We've arrived!

Take the money earmarked in the budget for a General Managers Salary, write a contract or RFP for professional services as State Law dictates, and contract with a professional Civil Engineering firm to provide The District the professional services of a General Manager, including complete staff reports with recommendations on agendized action items before The Board during any interim period without a QUALIFIED General Manager on staff. Substituting a Board Member during such a period is unsatisfactory and will once again ill serve constituents of The District. A contract "Not To Exceed" the GM's current salary base is more than adequate to accomplish this interim requirement.

A committee of community members is willing to help the Board establish the criteria and process for replacing vacant staff positions, and it's a good idea. Several community members have extensive professional experience dealing with these matters and could be of great assistance to a positive outcome for the community. But it will only happen if your Board is willing to accept the community's participation in selecting qualified staff. It has been offered, we've all heard it.

Kari Graton

Please have my following statement read aloud at the Aug, 20, 2021 meeting for item 12a on your agenda; Comments regarding preliminary budget fiscal year 21-22.

At your hastily called special budget workshop, I questioned the Board about the condition of the Recreation Departments budget, and the fact that staff established more than two years ago that the department was operating in the red as a deficit to The District, yet amounts between \$9K and \$14K have seemingly been budgeted and spent to operate that department over the last six or seven years since staff has identified the shortfalls in fee's and revenue's to support its operation. We all know that departments fee's and revenues are generated by parking fee's, and there continues to be no parking at the facility.

Mr. Arnold responded to my question about this matter that The District has been operating that department on "money from the sewer fund".

The Callifornia Code of Regulations, Section 61000 et seq., mandate exactly how all Community Services Districts in California are to operate their finances. Chapter 2, Finance, section 61111 through 61119 specifically dictate how funding is lawfully allocated to support District departments and their activities. As well , Chapter 3, Alternative Revenues, section 61120 through section 61124 provide the lawful process a District may use to fund shortfalls as they become identified for the Districts normal operations and maintenance of existing departments.

I have obtained copies of The Districts last six (6) years of budget documents and Narratives as approved by your Board. Nowhere in these documents, narratives, or the recorded minutes of meetings are any of these regulations followed, or mentioned in financing your failed Recreation Department. Rather, as Mr. Arnold stated at the workshop, you've likely been "just taking it" out of the Sewer Fund, regardless of how State Codes govern your financial activities.

So now I must ask the following questions, which remain unanswered:

1. How much money has your Board "taken" from other accounts unrelated to recreation fee's, including the sewer account, over the last six (6) years and spent as "recreation funds" on the operations and maintenance of the Recreation Department, or Capital Improvements for Recreation?
2. Once that amount has been determined, what is the schedule for your Board to "Pay Back" those funds into the appropriate departments accounts.

Any such "transferring" of funds between accounts in this manner, without appropriate public notice, agendization and legally recorded majority Board approval is likely unauthorized and perhaps unlawful. We, the public, have a right to expect a repayment to those accounts, and a schedule to know when that will take place.

The repayment should definitely be a part of the 21-22 budget before it is passed in its final form.

Kari Graton

Please read my following statement during the Public Comment Period at the Aug. 20, 2021 meeting.

Back in March, I submitted a public comment to your Board, which was read into the record. I pointed out your Board's failure to follow several of the Codes and Regulations as set forth by the State which require you to follow certain processes in conducting your business. These missed steps included your Board's failure to adhere to articles of the Brown Act, unlawfully establishing a dump, illegally burning collected green waste and attempting to conduct nuisance abatement's in a manner inconsistent with The District written Ordinances.

Your Chairman responded to my statement with what seemed to be a long apology, excuses of well intended ignorance of the law, and a promise of your Board's future intentions to "cross our t's and dot our l's."

I pleaded with you to at least read the laws before taking an action. Apparently you didn't take my statement seriously. Your Chairman's response to me was simply lip service.

Last month, I attended the budget workshop, and again, when asked pointed questions about your Board's financing strategies, which have not been in compliance with State Code and Regulations and generally accepted financing practices, your Chairman responded that you had made some mistakes, and done some things wrong. He said that in the future there would be more attention to following the Codes. Included in that statement was the acknowledgement that there would be more public participation in the process, and more public hearings would have to be held.

In regards to holding a required public hearing to pass a final budget for a fiscal year, California Community Services District Law, 61000 et. Seq. reads as follows:

Chapter 2 Finance; 61110 (d); The board of directors shall publish the notice at least two weeks before the hearing in at least one newspaper of general circulation in the district pursuant to Section 6061.

Your Board did not publish the required notice to hold the hearing for passing the 21-22 final budget on Aug. 27, 2021 in a timely manner. The public notice was published in the Lassen County Times on Aug. 16, 2021, and not in accordance with the law. Your proposed hearing of Aug. 27, 2021 for that meeting falls 2 days short of the minimum 2 weeks notice required by law. As well, taping a printed notice to the door of the community center dated August 13th does not meet the laws required noticing in a newspaper of general circulation in the District. When did your Board even hold a meeting to take a vote on scheduling the hearing and publishing the notice? Once again, your Board fails to meet the standards set forth by the State of California to insure proper opportunity for public involvement for a communities legislative process and governance. This seems to be a recurring theme with your Board.

Its past time to hear more excuses of well intended ignorance, or pleas of we're trying the best we can. Your Board needs to take whatever steps are needed to get it right. The community deserves it, the law demands it.

Its been said at meetings before this one, and its worth repeating today. Public service is a thankless job. If your board is tired of that, there is a remedy for you.

Diane Graton