

UKIAH VALLEY SANITATION DISTRICT

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Sage Sangiacomo  
City Manager  
City of Ukiah  
300 Seminary Ave.  
Ukiah, Ca 95482

August 12, 2016

Dear Mr. Sangiacomo,

This letter is in response to your letter of August 11, 2016 to District Manager McMichael. As Mr. McMichael received your letter just prior to our special meeting at 5:30, he brought your letter to the Board for their awareness. The Board requested that I provide a response for the purpose of correcting the erroneous statements or implications contained in your letter. Specifically the following statements in your letter are of issue:

*"The final draft of the Fiscal Year 2016-2017 Budget was delivered to District staff on August 8, 2016. Previous drafts have been transmitted to and discussed with District staff since April 2016. In addition, the City Council and the District Board held a joint session on May 23, 2016 to review past year's accomplishments and consider budget performance goals and objectives for Fiscal Year 2016-17. The final draft for the budget incorporates all of this past work product."*

District Manager McMichael states that while bits and pieces of the proposed budget were provided during the initial staff meetings, they were not complete. For several of those meetings some pages had budget columns with no numbers assigned to the columns. For other meetings, numbers or percentages that were in earlier pieces of the budget had been changed. Mr. McMichael received the above described bits and pieces of the City's proposed budget at the time of the meetings, thus not giving him an opportunity to review them in advance. He clearly articulated to you in those meeting and later in a Working Group meeting that he would not submit the proposed budget to the District's review process until such time that he had a final draft of the proposed budget. As a reminder, our Participation Agreement indicates it is the City's responsibility to provide a draft proposed budget. A budget is not bits and pieces.

At our Working Group meeting on June 21, 2016 attended by you, Councilmember Doble, myself and District Manager McMichael, Mr. McMichael once again clearly informed you that until he received a final draft proposed budget he would not submit the budget to the District's review process. He described that process to you again as being staff review of the final draft document, follow up with City staff as necessary, review by the Finance Committee and review by the Board at a budget workshop. I was present and witnessed his statements reaffirming to you the District's review process. Of necessity this review process is a fairly lengthy process that could not be accomplished in a week.

Because we had received no communication from your offices, On July 26, 2016 Mr. McMichael sent an email to Mr. Sean White indicating concern about the non-receipt of the final draft proposed budget. Mr. McMichael's email stated the following:

*"Also, regarding receipt of a final draft proposed budget: Given that the District has not received a final draft from the City, it is highly unlikely that an agenda item for a Board Workshop for the August meeting will occur. As previously indicated to the City, the District has a review process that must occur before a budget Workshop can be conducted with the Board. The review process includes review by staff, follow-up with the City for questions or additional info, Finance Committee review and then a Workshop with the Board at a regular meeting. There is no way this can occur in the next two weeks, even if received today."*

**BOARD OF DIRECTORS**

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Later that day, Mr. White replied indicating:

*"I share your frustration. We had our budget hearings yesterday at 100 and I didn't get a draft of my budget until 1100. I am supposed to get a copy of the wastewater budget today. I am scheduled to review it with Tim and Jarod at 100. I will keep you posted on how it goes."*

Clearly, Mr. White also thought that a full and complete draft final proposed budget was needed.

When the two agencies met for adopting the continuing resolutions, the date of August 15, 2016 that was included in the Resolution was your choice of dates. You indicated that you anticipated that final proposed budget would be completed by mid-July, which would give the District time to go through its review process. With that understanding, the District agreed to the August 15, 2016 date. Getting delivery of the final proposed budget on August 8, 2016, one week before the deadline in the Resolutions, is a failure to perform by the City, not the District's. You have been repeatedly advised of the budget review process the District endeavors to follow (not dissimilar to the one used by most cities and counties) therefore, I do not believe that you or the City Council have the right to take issue with the District regarding completing the budget review by the August 15, 2016 deadline.

Regarding the narrative in the beginning of the budget before the numbers portion of the budget is provided, it is worthwhile to have various goals and objective spelled out in clear language, as has been done. This is good.

However, not all of the proposed goals and objectives will necessarily be agreed to by the Board. One Example: One of the goals indicated for Administration is to complete a Rate Study. Mr. McMichael informs me that when this was discussed at the staff level, he indicated to you that while the City may believe that a Rate Study was needed for their customers, he could not recommend such a joint study to the Board and would not until: (1) Full complete and clear information as to the District's monthly and annual revenues and the revenue fund balance was obtained from the City and; (2) A clear record of the historical to present accounting of ESSUs was provided and agreed to so that the two agencies could determine the proper apportionment percentages for operating costs and bond payments as required by our agreements. Understanding the ESSU issue is a necessary element for understanding assignment of annual budget expenses and is required by the Participation Agreement.

The fact that this was placed in the Budget as an Administration goal (presumably at joint expense) after being informed of the above, underlines the shifting details or circumstances of the budget process. It strongly emphasizes the necessity of having a final and complete proposed budget for the District review process, not parts. Likely, there will be others that the District Board will question during the review process and will want more complete understanding before agreement is provided.

For these reasons and others, I take issue with your letter.

Given the above, I respectfully request that this letter along with your most recent letter to the District Manager referred to herein, as well as copies of the "email" transmission of the "draft budget" by City Staff to the District be delivered to each of City Council members as well as City Counsel to establish disclosure has occurred should questions arise regarding the content and dates of the "budget" process.

Sincerely,

A handwritten signature in black ink that reads "James Ronco". The signature is written in a cursive, flowing style with a large initial "J" and "R".

James Ronco,  
Chairman of the Board