

MINUTES OF THE REGULAR MEETING OF  
THE BOARD OF DIRECTORS OF THE  
SANTA LUCIA COMMUNITY SERVICES DISTRICT

January 25, 2022

The regular meeting of the Board of Directors of the SANTA LUCIA COMMUNITY SERVICES DISTRICT was held at 9:00 A.M. on Tuesday, January 25, 2022. Pursuant to Executive Order N-25-20, by the State of California, this meeting was held via video conferencing.

Call to Order. The meeting was called to order at 9:01 A.M. by Board President Mark BOITANO.

Roll Call. The following Directors were present: Mark BOITANO, Cary WHITFIELD, Melissa THORME, Barbara SANTRY, and Scot SMYTHE. Also present were Robert LATTA, Advisor; Forrest ARTHUR, District General Manager; Aimee DAHLE, District Executive Assistant; Mike SAEIDI, District Finance Officer; Karen BAXTER, Preserve Company Chief Executive Officer; David SIMPSON, Director of Property Operations; and Rob WELLINGTON, District Legal Counsel; Rae GULARTE, Emelisa SANTIAGO, and Mike BRILEY, District Auditors from Hayashi & Wayland (leaving at 09:59 A.M).

Public Comment. None.

General Manager's Report.

Approval of Minutes. After review of the November 30, 2021, meeting minutes, discussion was had regarding minor edits and corrections to the meeting minutes and a motion to approve was made by Director SANTRY and seconded by Director WHITFIELD; the meeting minutes were approved unanimously as amended.

General Manager's Report.

Financial Report. Ms. GULARTE briefly discuss the "Representation Letter" and then the "Disclosure Letter" then discussed in detail the audit adjustments, the Audited Basic Financial Statements, the Independent Auditors' Report and the Management's Discussion and Analysis. Ms. GULARTE stated that material weaknesses were found to be present in regard to Financial Oversight. She reported that documentation of senior oversight was absent with respect to bank reconciliations and journal entries and that accounts payable had been misstated.

Mr. BRILEY was asked to comment on the finding of material weaknesses. He explained that they were the most serious auditor finding and indicated that there was a reasonable possibility that the weak internal control systems would prevent management from detecting error or fraud. He cited the errors in

depreciation accounting as a clearcut weakness and that the lack of review of bank reconciliations was determined to be serious based on auditor judgement.

Mr. BRILEY was asked if infrastructure was in place so that Mr. SAEIDI and the team could operate without weaknesses. He answered in the affirmative, with the caveat that he did not know the people after 100% turnover in the department, so he gives them some latitude. He indicated that it would be valuable to check back in in April or May.

Ms. GULARTE also recommend that management follow the capitalization policy in place and review expenses regularly to determine the proper recording of fixed asset transactions. This was followed by a brief discussion between the Board and the auditors without the presence of staff. Ms. GULARTE, Ms. SANTIAGO, and Mr. BRILEY left at 9:59 A.M. A motion was made by Director SANTRY and seconded by Director WHITFIELD to approve the audit as presented. After roll call, the audit was approved unanimously.

Mr. SAEIDI discussed the Balance Sheet and variance reports with discussion on the return of funds acquired for the installation of fiber. After a brief discussion on costs, Mr. ARTHUR stated he will review the option of using the funds to get fiber to the Robinson Canyon Gates.

Waste Management Update. Mr. ARTHUR requested a motion to approve the annual increase of 3.57%, which would start effectively on January 1, 2022. The expected start for waste collection by the district is expected on July 1, 2022. Director BOITANO made the motion, with Director SMYTHE seconding. After roll call, the increase was passed unanimously.

CEO Report. Ms. BAXTER updated the board regarding staffing concerns with a focus on the impacts related to housing availability. Ms. BAXTER stated that temporary housing would be put in place to relieve some emergent staffing needs. Ms. BAXTER next updated the Board on the Ranch Club 5-year plan development, the porte-cochere, and the driving range conversion.

Conservancy Update. Director SMYTHE updated the board on the Conservancy projects including the Redwood Grove MOU, control burns, office relocation and coordination with the Design Review Board to help aid in the home building process.

Citizen's Advisory Committee Comments. None.

Closed Session. The Board went into closed session at 10:55 a.m. The Board came out of closed session at 12:20 p.m. and Legal Counsel announced that in the closed session the Board had taken up and considered a single item as listed on the agenda for a closed session. The matter was discussed, and no reportable action was taken.

There being no further business, the Board Chair adjourned the meeting at 12:21 p.m.