

**Minutes of the Regular Meeting of the Board of Directors
June 16, 2016
Location: RCD Office**

Directors present: TJ Glauthier, Jim Reynolds, Kevin Watt

Staff present: RCD – Kellyx Nelson, Renee Moldovan, Adria Arko

Guests: None

1 Call to Order

- Meeting called to order at 6:36pm.

2 Introduction of Guests and Staff

- None

3 Public Comment

- None

4 Approval of Agenda

- Reynolds moves, Watt seconds, unanimous approval to approve the agenda.

5 Consent Agenda

5.1 May 19, 2016 Draft Regular Meeting Minutes

5.2 May 2016 Draft Financial Statements

6 Discussion Items

6.1 Executive Director Report

- Glauthier noted that Shannon Mann will be contracting with RCD while Moldovan is out on medical leave.
- Glauthier asked about Santa Cruz Mountains Stewardship Network.
- Nelson: It is a group of entities that have been collaborating to create a vision for the Santa Cruz Mountains region. Designed to be highly collaborative and diverse. Consists of land trusts, agencies, RCDs, timber, etc. Membership criteria requires that majority of members must manage land, not focus on advocacy groups. New manager, Dylan Skybrook, is working throughout the region, working in the office 1-2 days a week and currently living in Davenport.
- Watt asked about biological monitoring. Nelson said the hope is to be able to biological monitoring in-house and offer the service to our partners. Watt thinks it's a great idea.
- Watt asked about the POST meeting.

- Nelson said that the meeting was more project oriented than she had hoped for and would have liked it to have been more about getting to know each other, but glad it took place. Watt thinks it is important to keep the partnership “on the radar” as both organizations evolve.
- Nelson mentioned that there are more construction projects than are included in the report and will be included next month.
- There was discussion about a potential plan by State Parks to transition prime agricultural land at Bolsa Point to a developed campground, and concern over the loss of viable ag land and prime soils. People have been asking RCD about land that POST has taken out of production that went to State Parks and how to get it back in production. Some RCD staff went on a tour with Chris Spohrer of State Parks and Dante Silvestri from Pescadero to look at State Parks properties that with lands that have been taken out of production. State Parks is looking for comments on the concept for Bolsa Point. The sentiment of the group was that the RCD will not submit comments or take a position, but will offer assistance if Parks would like to put the land into production.
- Nelson asked if Board members want to see some of the construction projects this season. Reynolds wants to see the Butano Floodplain Restoration site, Watt is interested in road project. Glauthier is interested in ponds.
- Nelson said that California Associate of Resource Conservation Districts was successful at getting capital for operating support from Department of Conservation for RCDs (\$2.5 million). It still needs to be signed by the Governor. Glauthier suggested sending a note to someone he knows that works at the Capital. Nelson said the RCDs sent a letter saying thank you and that it would be beneficial to all of them.
- Nelson: Glauthier and Nelson are interested in having a staff mixer. Glauthier offered to have it at his house. Staff welcomed the idea. Will schedule it for when Moldovan is better.
- Glauthier shared that the California Special Districts Association magazine has an article on Rich Gordon.

6.2 Directors’ Reports

- Watt: TomKat Ranch is having an open tour and art show this Saturday.
- Reynolds recently went to a PMAC meeting, where he heard about the State Parks plan for Bolsa Point. Also learned about the subdivision update. He took a walk near the Butano Creek Floodplain project site, and he is excited to see that project go to construction. Nelson described some challenges with permitting for the Butano floodplain restoration site.
- Glauthier went to the Harbor Commission meeting. They are supportive of the work they are doing with the RCD. Feels that the new General Manager seems to be doing a good job and seems interested in working with RCD more.
- Glauthier recommended listing the Board meetings in the Half Moon Bay Review calendar.

7 Action Items

7.1 Consideration of approval of Fiscal Year 2017 Financial Budget (Attachment A)

- Glauthier discussed the proposed budget. It’s a conservative budget to be better prepared for any surprises.
- Glauthier and Nelson want to offer take some time in the fall, when Moldovan returns from leave, to go over budget and financials in more detail to increase understanding of everyone A primary

role of the Board is to manage the fiscal health of organization. Want to give people training so Board feels comfortable engaging.

- ACTION: Reynolds moved to approve the Fiscal Year 2017 Budget, Watt seconded. Motion passed unanimously.

7.2 Consideration of approval of methodology for cost allocation (Attachment B and C)

- Glauthier said that the RCD needs to allocate costs, which is a process that the RCD and Board have periodically revisited so that the RCD can create billing rates that cover RCD costs. It's an art as well as a science. There is a science to developing the cost allocation but then different funders limit overhead in different ways, and rates must be competitive in order to win grants. Glauthier feels that Nelson and Moldovan have managed this process well.
- Nelson: RCD can get a big grant but lose money. Cost for hour of a staff person's time is more than just the salary, it includes Moldovan and Nelson's time on work that isn't billable, conference costs, requests for assistance from constituents that aren't funded, and other costs of business that aren't a specific task on a specific budget on a grant. Bottom line is the Cost Allocation Plan is the heart of how finances are managed. It's about if costs are covered while doing work. The RCD doesn't have funding for a single staff person, just for projects. Costs to exist as an organization and comply with laws for a public agency are higher than our \$57k operational base. Need to allocate costs to what is billed to specific projects. There are legal guidelines for how to do that.
- Moldovan explained handout (Attachment).
- Watt commented that overhead is often looked at as bad by donors, but its capacity. It's the ability to deliver.
- Glauthier asked Moldovan to talk about adjustments. Moldovan said that indirect cost rate is updated quarterly to show adjustments that were made. Budget reviews/updates will be done quarterly so all info is current.
- Nelson: Most bond-funded grants have very limited indirect rates. Fee for service rates are an opportunity to make up some of the lost costs. Competitiveness is another factor in determining what rates we can bill.
- Glauthier said that looking ahead is another challenge. Proposals are often due that will not come online for a year. Need to understand what cost structure will be projected. Nelson and Moldovan do good job handling that challenge. This straightforward process is a good tool.
- Nelson: it's a tool for us and a justification for the outside world
- Watt asked if there is there a way to parse out indirect costs and make a cost for how they are direct and bill them as such. Nelson said yes, but it takes administrative time to do that. The real solution is to get operating cost covered. Then grants will be for projects and assisting staff.
- Nelson said that the Board is being asked to approve the CAP methodology. If RCD does go for a federal grant that requires a CAP to be approved by a federal agency, the Board will have to adopt the actual CAP, including billing rates.
- A change was made in the Resolution to say "CAP methodology dated in 2016" instead of "2016 CAP".
- ACTION: Reynolds moved to adopt, Watt seconded, unanimous approval of methodology of Cost Allocation Plan.
- Glauthier noted that the last one was approved in 2011.

7.3 Consideration of Resolution 2016-3: Approval of the San Mateo County Resource Conservation District to Receive Advance Transfer of Property Tax Revenue Funds from the San Mateo County Controller's Office

- Nelson said that this is essentially the same one that has been approved in past. It is requested because of cash flow issues. The RCD needs to ask for money upfront.
- ACTION: Watt moved, Reynolds seconded, unanimous approval of Resolution 2016-3 (Attachment D)

7.4 Consideration of approval for contractor selection for Repetto Pond Project

- Nelson reviewed the memo prepared for the Board.
- Glauthier commented that the memo and selection seemed straightforward.
- ACTION: Watt moved, Reynolds seconded, unanimous approval of contractor. (Attachment E)

7.5 Consideration of approval for contractor selection for Pilarcitos Creek Rural Roads Sediment Reduction Project

- Glauthier said that this memo was also written up clearly. Looks as though the RCD received a rich set of proposals to select from.
- Nelson said that the contractor selected was much cheaper than the next lowest, and that references rave about him.
- ACTION: Watt moved, Reynolds seconded, unanimous approval of contractor (Attachment F)

Meeting adjourned at 7:51pm.



San Mateo County Resource Conservation District DRAFT FY 2017 Financial Budget

	FY17 Budget	FY16 Budget	FY16 Budget Projection	FY 16 Projected Budget Variance
REVENUE				
<u>Program Revenue</u>				
Agricultural Ombudsman	\$63,745			
Habitat Enhancement	\$1,139,607			
Climate Mitigation and Adaptation	\$135,351			
Erosion and Sediment Management	\$210,505			
Water Resources & Conservation	\$1,668,519			
Water Quality	\$154,178			
Santa Cruz Mountains Stewardship Network	\$446,040			
NRCS Contribution Agreement	\$25,394			
Subtotal Program Revenue	\$3,843,339	\$3,419,881	\$2,284,153	(\$1,135,728)
<u>Other Revenue</u>				
Individual Contributions	\$10,000	\$5,000	\$10,019	\$5,019
Interest Income	\$500	\$500	\$500	\$0
Misc. Income	\$0	\$0	\$1,771	\$1,771
Property Tax	\$55,000	\$57,000	\$60,493	\$3,493
Service Fees	\$10,000	\$1,000	\$6,300	\$5,300
County Contributions	\$100,000	\$100,000	\$100,000	\$0
Subtotal Other Revenue	\$175,500	\$163,500	\$179,083	\$15,583
Total Revenue	\$4,018,839	\$3,583,381	\$2,463,236	(\$1,120,145)
EXPENSES				
<u>Personnel</u>				
Salaries	\$682,472	\$579,601	\$627,762	\$48,161
Benefits	\$195,408	\$89,909	\$96,389	\$6,480
Personnel Subtotal	\$877,880	\$669,510	\$724,151	\$54,641
<u>Operating Expenses</u>				
Accounting	\$6,500	\$8,500	\$8,500	\$0
Bank Fees	\$1,000	\$1,000	\$1,000	\$0
Communications	\$5,200	\$6,500	\$4,000	-\$2,500
Computer Services	\$15,500	\$6,000	\$6,003	\$3
Consultant Services	\$15,950	\$14,000	\$10,000	-\$4,000
Discretionary	\$5,000	\$4,000	\$4,283	\$283
Donations	\$500	\$500	\$0	-\$500
Equipment	\$4,500	\$4,500	\$5,049	\$549
Insurance - Liability	\$4,160	\$3,600	\$3,600	\$0
Legal	\$1,000	\$2,000	\$0	-\$2,000
Membership, Dues and Subscriptions	\$3,500	\$3,500	\$2,500	-\$1,000
Mileage	\$1,500	\$2,500	\$1,500	-\$1,000
Personnel Service Fees	\$4,500	\$4,500	\$4,500	\$0
Postage and Delivery	\$400	\$400	\$200	-\$200
Printing and Copying	\$1,000	\$1,000	\$750	-\$250
Professional Development	\$4,500	\$5,500	\$3,500	-\$2,000
Project Software	\$3,240	\$7,600	\$4,500	-\$3,100
Public Relations	\$750	\$750	\$250	-\$500
Rent	\$19,800	\$19,800	\$19,800	\$0
Supplies	\$1,000	\$2,000	\$1,000	-\$1,000
Travel and Accomodations	\$2,500	\$2,500	\$2,500	\$0
Subtotal Operating Expenses	\$102,000	\$100,650	\$83,435	(\$17,216)
<u>Program Expenses</u>				
Agricultural Ombudsman	\$2,400			
Habitat Enhancement	\$929,617			
Climate Mitigation and Adaptation	\$46,153			
Erosion and Sediment Management	\$164,540			
Water Resources & Conservation	\$1,442,472			
Water Quality	\$28,557			
Santa Cruz Mountains Stewardship Network	\$347,500			
NRCS Contribution Agreement	\$2,700			
Subtotal Program Expenses	\$2,963,939	\$2,674,610	\$1,676,813	(\$997,797)
Total Expenses	\$3,943,819	\$3,444,770	\$2,484,399	(\$960,371)
NET	\$75,019	\$138,611	(\$21,163)	(\$159,774)

Cost Allocation Methodology *adopted June 16, 2016*

Overview

This document summarizes the methods and procedures that the San Mateo County Resource Conservation District (RCD) uses to allocate costs to various programs, grants, contracts and agreements. The Cost Allocation Plan (CAP) is used to generate the organization's billing rates using an indirect cost rate (ICR) as a threshold/guideline for billing rates.

Indirect Cost Rate and Billing Rates

An indirect cost rate is a tool for determining the proportion of indirect costs each program should bear. It is the ratio (expressed as a percentage) of the indirect costs to a direct cost base.

Costs are allocated as indirect, direct, or unallowable¹ based on relatability to projects. Direct costs are expenses that are specifically related to a project (for example: site visits, lab fees, permits, project management). Indirect costs are expenses that jointly benefit two or more programs or other cost objectives (for example: general administration, rent, internet). Unallowable costs are not permitted (federal regulation 2.CFR.225) to be allocated in a CAP (for example: fundraising, donations made by the RCD, and audits).

The total amount of indirect costs is divided by the total amount of direct costs to calculate the Indirect Cost Rate (ICR). The indirect cost rate multiplier is used to create billing rates for staff.

Basic Cost Categories

All RCD expenses fall into one of three categories: personnel, operating, or program. They are then allocated as indirect, direct or unallowable.

Personnel costs include salaries, health care, retirement, employer paid payroll taxes, and any other employee compensation. Personnel costs are allocated as indirect or direct based on how each employee hour is spent (for example hours to a billable project are direct and hours preparing a grant may not be).

Operating costs are non-personnel expenses such as accounting, communications, discretionary, liability insurance, and professional development. Operating expenses in the CAP are based on the

¹ An "unallowable" cost means that federal guidelines do not all the cost to be allocated. It does not mean that it is an unallowable expense for the RCD.

Attachment B

Board approved budget. Operating expenses are allocated as direct, indirect, or unallowable based on the nature of the expense.

Program costs are direct project costs that do not support RCD operating expenses, such as the purchase of equipment for a project or payments to contractors. Expenses within the program cost category are pass-through funds and are thus not included in the ICR calculation.



San Mateo County
Resource Conservation District

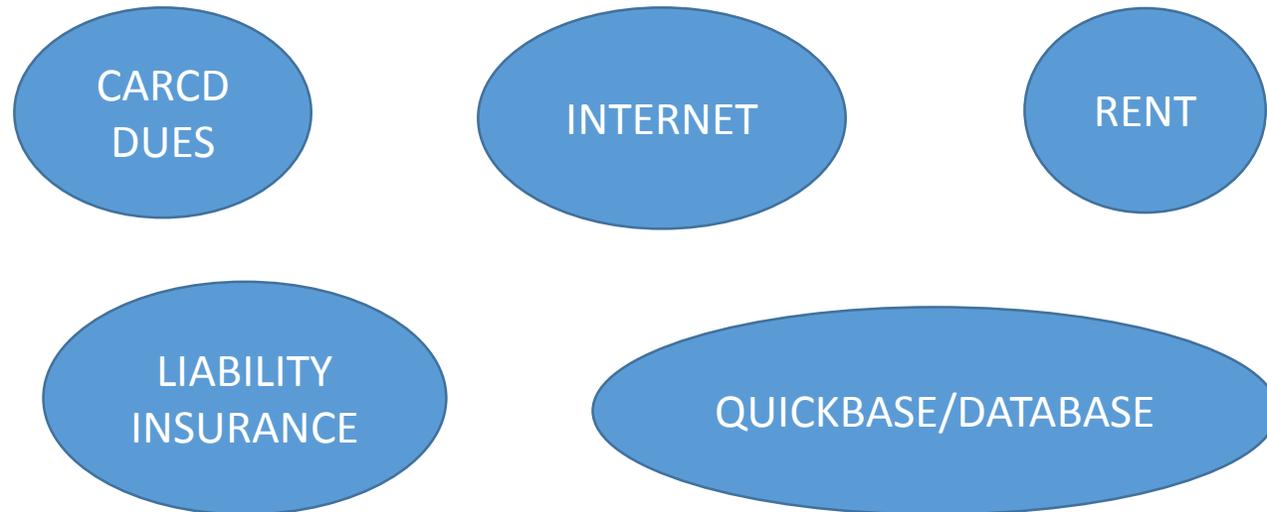
Cost Allocation Plan Overview

Presented to Board of Directors
June 16, 2016

What is a Cost Allocation Plan (CAP)?

A transparent method for assigning shared costs to multiple projects.

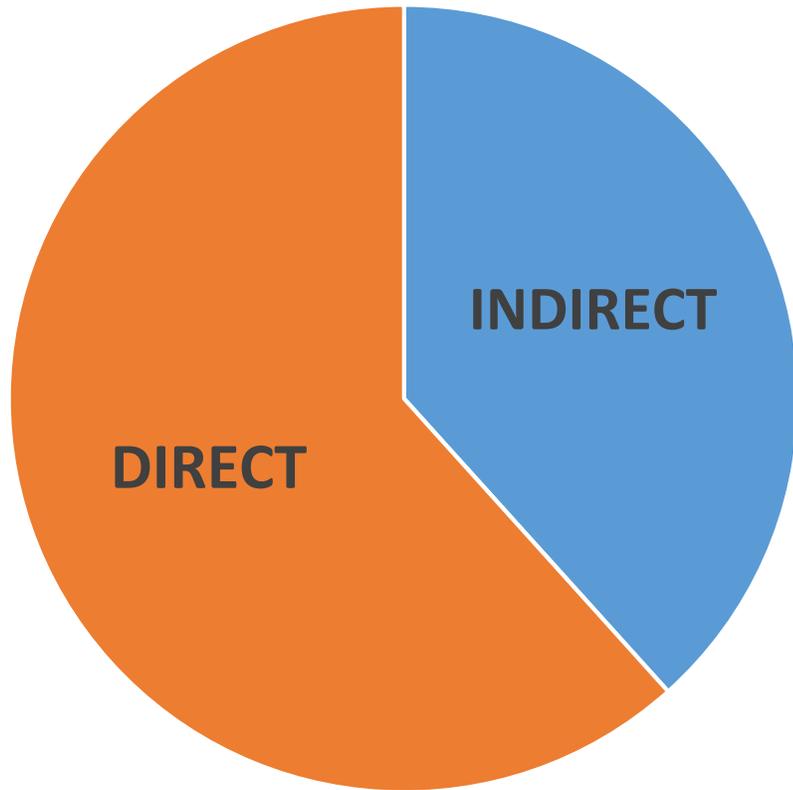
EXAMPLES OF COSTS SHARED BY RCD PROJECTS



San Mateo RCD Cost Categories

<u>Category</u>	<u>Direct Cost Example</u>	<u>Indirect Cost Example</u>
Personnel	Time spent on a project report	Time spent at a staff meeting
Operating	Pro-rated use of software	Insurance
Program	Water quality monitoring equipment	None- all program expenses direct expenses

Virtually all RCD Costs are Direct or Indirect



Direct costs

Specifically related to a project

Examples: site visits, lab fees, permits, project management

Indirect costs

Not specifically related to a project

Examples: general administration, rent, internet

Unallowable costs

Not permitted to include in cost allocation. About .1% of RCD costs are in this category.

Examples: fundraising, audits

Personnel Costs

The total remuneration, in cash or in kind, payable to an employee for work done.

Example Costs: salaries, benefits, payroll taxes, employer contributions

Allocation Method: ASSESS HOW AN EMPLOYEE SPENDS THEIR TIME

- Uses employee time spent on projects to determine indirect vs direct costs
- Direct Costs = staff time **spent** on projects
- Indirect Costs = staff time **not spent** on projects

Example Allocation:

- Employee A spends 80% of her/his time directly on project work
- Employee A costs the RCD a total of \$50,000 for the year
- $\$50,000 \times .80 = \$40,000$ Direct Cost
- $\$50,000 \times .20 = \$10,000$ Indirect Cost

Operating Costs

Non-personnel expenses that cannot be billed directly to grants or contracts.

Example Costs: accounting, computer, insurance, professional development

Allocation Method: ANALYZE THE NATURE OF EACH EXPENSE

- Benefit to a specific project = Direct
- Benefit not related to a project = Indirect
- Costs that Federal guidelines do not allow to be allocated to projects = Unallowable

Example Allocation:

- Pro-rated percentage of rent allocated to a specific program when permitted by funder.
- A case of copy paper shared by all staff for numerous purposes is an indirect cost
- A donation made by the RCD to a scholarship fund is unallowable.

Program Costs

Non-personnel expenses that are billed to specific programs or projects.

Example Costs: construction contractors, lab fees, permit fees

Allocation Method: NONE NEEDED

- All program costs are direct costs.

Example Allocation:

- Construction contractor is paid \$250,000 for grant-funded restoration project= Direct cost

Cost Allocation Plan

- **PERSONNEL COSTS**

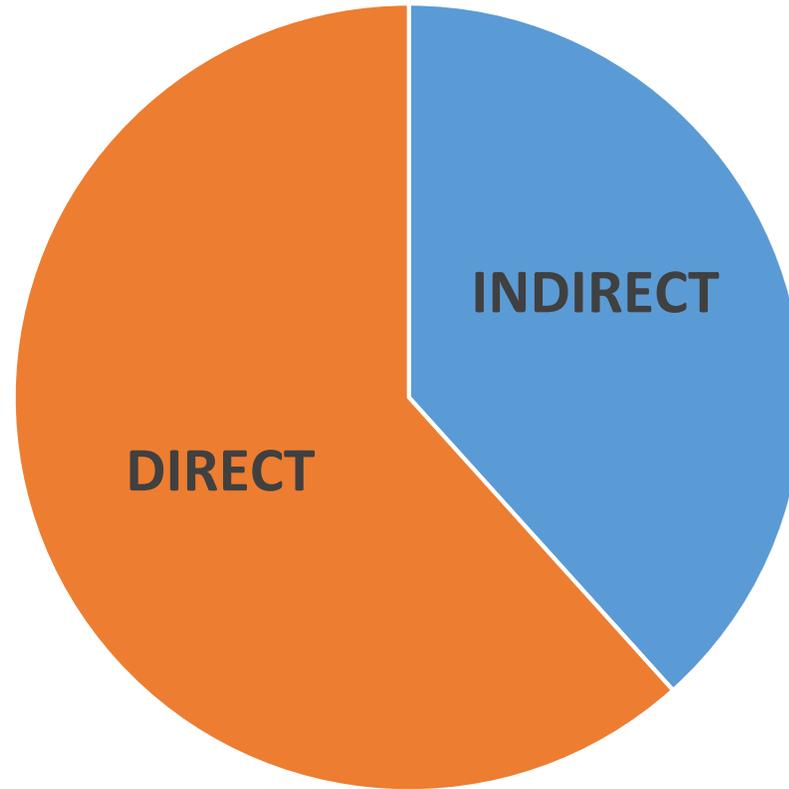
- Indirect 
- Direct 

- **OPERATING COSTS**

- Indirect 
- Direct 

- **PROGRAM COSTS**

- Direct 



	<u>INDIRECT</u>	= 74%
	DIRECT	

The Indirect Cost Rate (ICR)

The most accurate estimate of overhead, useful in grant budget proposals and contracts.

Indirect Cost Rate Calculation – (Current)		= 74%
<u>\$361,461</u>	<u>(Total Indirect Cost)</u>	
\$485,482	(Direct Cost Base)	



This ICR tells us that for every \$1 of RCD *operating and personnel* costs spent on project costs, 74 cents are spent on overhead costs.

NOTE: Approximately 10% of the overall budget, which includes program costs, goes to overhead.

Cost Allocation Plan (CAP)

Indirect Cost Rate Calculation (current)										
Fiscal Year 2016 Cost Categories	A. Personnel	B. Operating	C. Program	TOTAL	Indirect Cost Rate Calculation		74%	ICR		
Indirect Costs	\$266,111	\$95,350	\$0	\$361,461	<u>\$361,461</u>	<u>(Total Indirect Cost)</u>				
Direct Costs	\$485,482		\$0	\$485,482	\$485,482	(Direct Cost Base)				
Unallowable Costs		\$5,300		\$5,300						
Direct Program Costs			\$2,674,610	\$2,674,610						
	\$751,594	\$100,650	\$2,674,610	\$3,526,854						

The ICR is updated quarterly to reflect:

- salary adjustments
- a revised budget approved by the Board
- changes in amount of staff billable time
- unanticipated expenses

Review

- A transparent method for assigning shared costs to multiple projects
- Three categories of expenses: Personnel, Operating, Program
- Allocate all expenses as indirect or direct or unallowable
- Arrive at the Indirect Cost Rate (ICR) for use in grant/contract proposals

RESOLUTION 2016-4

APPROVAL OF THE SAN MATEO COUNTY RESOURCE CONSERVATION DISTRICT TO ADOPT THE METHODOLOGY OF THE 2016 COST ALLOCATION PLAN

Whereas the San Mateo County Resource Conservation District is a Special District organized under Division 9 of the California Public Resources Code with an original petition granted on July 1, 1939;

Whereas the San Mateo County Resource Conservation District is defined in Section 3501 of the Government Code as a public agency;

Whereas the San Mateo County Resource Conservation District requires a transparent method for assigning shared costs to multiple projects; and

Whereas all costs included in this proposal to establish cost allocations are allowable costs for the federal and state awards to which they apply and unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan; and

Whereas all costs included in this proposal are properly allocable to federal or state awards on the basis of a beneficial or causal relationship between the expenses incurred and the awards to which they are allocated in accordance with applicable requirements;

NOW THEREFORE BE IT RESOLVED that the San Mateo County Resource Conservation District Board of Directors hereby adopts the Cost Allocation Plan methodology dated June 16, 2016.

ADOPTED at a regular meeting of the Board of Directors of the San Mateo County Resource Conservation District on June 16, 2016.

TJ Glauthier, President

Date

Attachment E

San Mateo County Resource Conservation District

MEMORANDUM

Date: June 16, 2016
To: Board of Directors
From: Kellyx Nelson
Re: Recommendation to Contract with Campbell Grading Inc. for Pilarcitos Creek Watershed Rural Roads Sediment Reduction Project

The RCD recommends **Campbell Grading Inc.** to install rural road improvements that will reduce sediment entering Pilarcitos Creek on Coastside County Water District (CCWD) property east of Half Moon Bay.

This project will improve existing conditions for 2.91 miles of unpaved roads along Pilarcitos Creek. Planned erosion control treatments are intended to improve drainage, reduce erosion and maintenance needs, and benefit the habitat quality of the creek for steelhead trout and other aquatic wildlife.

A request for bid proposals was distributed to 8 construction firms on May 3rd, 2016. Seven individuals from five contracting companies participated in the mandatory pre-bid site visit on May 16th 2016. Four companies bid on the project.

On June 7th RCD staff met with Coastside County Water District (landowner) and L-3 Randtron (road user) staff, and came to the unanimous decision that the best suited contractor for the job was Campbell Grading Inc.

Campbell Grading Inc. is being recommended as the contractor for this project because:

- The bid amount for Campbell Grading Inc. (119,337.10) was lower than the other bids received. The other three bids ranged from \$142,972 to \$297,018.
- When checking references, the firm received excellent evaluations for similar projects.

San Mateo County Resource Conservation District

MEMORANDUM

Date: June 16, 2016
To: Board of Directors
From: Kellyx Nelson
Re: Recommendation to Contract with Storesund Consulting for Repetto Pond Project

In support of the RCD's drought relief and ponds programs, this summer we will begin construction to enlarge the capacity of an existing irrigation pond on farmland along San Gregorio Creek owned by farmer David Repetto. **RCD staff recommends Storesund Consulting, LLC as the contractor for the project.**

The Repetto Pond Project will improve instream flow conditions for sensitive species (including coho salmon and steelhead trout) and downstream water users while simultaneously improving water security for the farm. This will be accomplished by enlarging the pond to store more water in winter to reduce dependence on the creek during summer and fall.

A request for proposals was distributed to 17 construction firms by email on March 17, 2016. Four contractors attended a mandatory pre-bid site visit on March 31, 2016. Two completed bid packages were received by the deadline for submission.

Storesund Engineering, LLC is being recommended as the contractor for this project because:

- The bid amount (\$382,500) was significantly lower than the other bid received (\$540,109).
- When checking references, the firm received positive recommendations for similar projects.
- Our RCD has a positive work history with the firm.