

MINUTES OF THE REGULAR MEETING OF THE SEWERAGE COMMISSION - OROVILLE REGION

(Held at the Commission office on January 27, 2026 at 05:00 p.m.)

1. Call to Order ❖

Vice Chairman Koch called the meeting to order at 05:00 p.m.

2. Roll Call ❖

Commissioners present were Salvucci from the Lake Oroville Area Public Utility District, Pittman from the City of Oroville, and Vice-Chairman Koch and Commissioner Clark from the Thermalito Water and Sewer District. Staff present included Manager Glen Sturdevant and Plant Supervisor Mikah Salsi, and Attorney Scott Drexel, who attended on behalf of Attorney Ryan Jones. Commissioner Goodson from the City of Oroville was absent. Chairperson Mastelotto arrived at 5:05 p.m.

3. Salute to the Flag ❖

Vice Chairman Koch led the commissioners and staff in the salute to the flag.

4. Acknowledgment of Visitors ❖

The Board acknowledged and welcomed Scott German from Fechter & Company, who joined via Zoom to present SC-OR's Final Audit for FY 2024/25.

5. Acknowledgement and Welcome of New Commissioner ❖

Vice-Chairman Koch introduced himself as the replacement for Commissioner Hatley, who relocated out of state. He will serve in this position until the next board member election in June 2026.

6. Board Meeting Minutes of the Regular and Special Meetings held on December 17, 2025 and January 8, 2026 ❖

Upon motion by Commissioner Pittman to approve the minutes of the meetings, and seconded by Commissioner Clark, the minutes of the December 17, 2025 regular meeting and the January 8, 2026 special meeting were unanimously approved.

7. Employee Safety Meeting Minutes ❖

Upon motion by Vice-Chairman Koch to approve the minutes of the meeting, and seconded by Commissioner Salvucci, the minutes of the January 22, 2026 Employee Safety meeting were unanimously approved.

8. Authorization of Warrants ❖

Commissioner Pittman met with Manager Sturdevant and reviewed the warrants earlier. Having found everything to be in order, a motion was made by Vice-Chairman Koch for their approval, and the motion was seconded by Commissioner Salvucci. Warrants 30815-30898 in the total amount of \$457,684.86 from December 18, 2025 to January 27, 2026, including Commissioner fees and electronic fund transfers and deposits, were unanimously approved and ordered paid.

9. Fiscal Reports ❖

Manager Sturdevant reported that the fiscal reports for December 2025 were included in the Board packets for review. There were no questions from the Board.

10. Final Audit Presentation and Adoption ❖

Scott German from Fechter & Company presented SC-OR's Final Audit for FY 2024/25. He began by explaining what an audit is and the required components for completing one. An audit involves reviewing financial statements and disclosures to determine whether they present a materially accurate representation of the Commission's operations and year-end financial position. He emphasized that an audit provides reasonable assurance, not absolute assurance, regarding the accuracy of the financial statements. Scott noted that both the Board and management share responsibility for financial reporting and for establishing the systems and policies needed to support accurate reporting. Two key responsibilities are the regular review of the warrants list and monthly financial statements. The auditor's responsibility is to form an independent opinion based on the financial statements prepared by management under the Board's oversight.

This year, SC-OR engaged CliftonLarsonAllen LLP (C.L.A.) as an outside accountant/controller, which along with SC-OR, contributed to resolving a prior-year finding. Scott clarified that hiring Fechter & Company as the auditor does not relieve the Board or management of their financial oversight responsibilities. Scott reported no difficulties encountered during the audit and no disagreements with management. While some corrective journal entries were identified, C.L.A. discovered additional entries after the audit began; however, these were not considered errors because they were identified internally by SC-OR. Since C.L.A. performs SC-OR's internal accounting, the organization now benefits from two independent professional perspectives. Scott noted that journal entries were properly calculated but not subject to a formal review process. He recommended including journal entries on the monthly warrants list to ensure consistent Board review. The independent audit, conducted according to auditing standards, included a single audit for the Community Development Block Grant.

Scott reviewed the major financial statements:

Statement of Net Position: Functions as the balance sheet and includes all long-term assets and liabilities. Statement of Revenues and Changes in Net Position: Functions as the income statement and presents operating expenses programmatically. Statement of Cash Flows: Explains how cash is received and used, reconciles net income to cash

flow, and serves as a bridge between the two prior statements.

Highlights from the audit included:

Cash totaled approximately \$20 million at year-end; about half of the balance sheet consists of cash, which is consistent with other agencies in the region (ranges observed in other regions are roughly 35%–90%). Capital assets in service totaled about \$17 million. Construction in progress decreased from \$12 million to \$5 million due to placing several projects into service. Land and property values remained steady. Receivables were normal, with the exception of a larger grant receivable. Payables were high due to significant grant-funded work awaiting reimbursement. Operating revenues remained consistent. Operating income declined slightly but not at a concerning level. Grant revenue of \$3.3 million remains the most fluctuating item. Total non-operating income was \$4.6 million, primarily from grant funding. Departmental expenses showed no irregularities. Most increases in operating expenses were linked to pension-related changes. Overall, net position increased, and SC-OR remains financially healthy. Scott also reviewed the Notes to the Financial Statements, which detail SC-OR's approved policies and provide additional explanations of balances and accounting practices.

He informed the Board of upcoming accounting standard changes effective this next fiscal year, including GASB 103 (affecting management's discussion and analysis and footnote reporting) and GASB 104 (affecting capital asset reporting, particularly requiring separate reporting of assets no longer actively in service). These changes are intended to enhance transparency and improve the quality of financial reporting. Regarding the single audit, the only finding was related to improving the journal entry review process. It was not considered a material weakness, and no reportable audit findings were issued. Scott stated that the transition to C.L.A. went well and will result in a stronger financial reporting process for SC-OR moving forward. Fechter & Company's presentation to the Board is attached to the meeting minutes.

Commissioner Pittman made a motion to adopt the 2024/25 Final Audit and the presentation provided by Scott German of Fechter & Company as agendized. Commissioner Clark seconded the motion, and it passed by the following vote: Clark – Yes, Mastelotto – Yes, Pittman – Yes.

11. Mid-Year 2025/26 Budget Amendment ❖

Manager Sturdevant reported that the only changes to the 2025/26 Adopted Budget are in Exhibit C - WCRF (Working Capital Replacement) Fund and Exhibit D - R&CA (Regulatory & Capital Account) Fund. The only change to Exhibit C is the addition of Board room renovation furniture, which was previously approved by the Board. For Exhibit D, the budget for the West Interceptor Inspection increased from the originally budgeted \$100,000.00 to \$189,500.00; this cost is expected to be reimbursed by the State of California. In addition, the Salinity Study & Minimization Plan, required as part of the permit renewal, has been added as it was not previously budgeted. Manager Sturdevant stated that these are the only three amendments and all other portions of the budget will remain unchanged.

Vice-Chairman Koch made a motion to approve the Mid-Year 2025/26 Budget Amendments Exhibits C & D. Commissioner Clark seconded the motion, and it passed by the following vote: Clark – Yes, Mastelotto – Yes, Pittman – Yes.

12. Attorney's Report (All items may be subject to Board action) ❖

Attorney Drexel reported that there were no significant updates regarding the K&M litigation. Any new developments will be brought to the Board in closed session. He also noted that there are no major Brown Act changes affecting the Commission in 2026; the updates primarily impact larger districts.

13. Manager's Report (All items may be subject to Board action) ❖

Manager Sturdevant reported on the following:

No operational issues to report this month.

The solar project is expected to mobilize onsite in February. The Plant Upgrade continues to progress on schedule. A larger change order was recently finalized at \$276,555.79, bringing the total project cost to \$17,028,707.66. This remains within the Board-approved total budget of \$18,427,000.00, but it does represent a significant increase in the change order amount and overall project cost. At the Special Meeting held on January 8, 2026, the Board awarded the Ruddy Creek Pump Station project to Lorang Bros. Construction. The first construction meeting is scheduled for February 2, 2026, and the contractor is expected to mobilize in February to begin work on the pump station. Regarding funding, SC-OR is still awaiting final confirmation from the County on whether the State will fully fund the remainder of this project. If approved, this would provide approximately \$6.3 million toward The Plant Upgrade Phase 1 and potentially create opportunities for Phase 2 or other priority projects. Should that funding be secured, a strategic discussion with the Board will be needed to determine next steps and which additional projects to prioritize.

Entity Reports:

T.W.S.D. – Manager Sturdevant administered the oath of office to Commissioner Koch on January 21, 2026, following his appointment to replace Commissioner Hatley.

City of Oroville – SC-OR met with Public Works Director Tim Kaber to discuss the Chick-fil-A sewer connection and to ensure there would be no issues with the proposed plan. This discussion led to further conversations regarding the possibility of the City of Oroville taking over the sewer lines on the north side of Oro Dam Boulevard and South 7th Avenue. SC-OR maintains a policy prohibiting direct-connects, and as the City continues to develop—as expected—SC-OR risks setting a precedent if this policy is broken repeatedly. To address this properly, SC-OR has engaged its legal team to work with the City and their legal counsel to determine the appropriate legal pathway and requirements. Any formal requests or recommendations will be brought to the Board once these discussions are complete.

L.O.A.P.U.D. – Manager Sturdevant met with Manager Goyer on January 22, 2026, at SC-OR to discuss the new River Ranch Development, which is beginning to gain traction.

Commissioner Salvucci inquired about the pre-construction meeting for the Ruddy Creek Pump Station and whether a Board member may attend. Manager Sturdevant confirmed that a Board member may attend; however, only one Board member may be present, as attendance by more than one board member would constitute a Brown Act violation.

Commissioner Salvucci also asked about Subtask 2.3 with Jacobs (which includes up to five meetings), whether those meetings may exceed the allotted number, and whether a Board member may attend. Manager Sturdevant clarified that only one Board member may attend to remain in compliance with the Brown Act.

14. Visitor's Comments ❖

None.

15. Commissioner and Staff Comments ❖

Commissioner Pittman reported that he attended Congressman Doug LaMalfa's funeral services. He noted that he spoke with the Congressman's Chief of Staff at the reception, who confirmed that the office is still functioning and available to assist with any outstanding matters. Manager Sturdevant added that SC-OR does have an item in progress, and Plant Supervisor Salsi is approximately 90% complete with the Community Grants Program application.

16. Adjournment ❖

There being no further business, the meeting was adjourned at 05:28 p.m. to the regular meeting scheduled for February 24, 2026 at 5:00 p.m.

Respectfully submitted,



GLEN E. STURDEVANT, CLERK