

CAYUCOS SANITARY DISTRICT
200 Ash Avenue
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805-995-3290

GOVERNING BOARD
R. B. Enns, President
N. Raimondo, Vice-President
H. Fones, Director
R. H. McHale, Director
S. Lyon, Director

REGULAR MEETING
MINUTES
JUNE 18, 2008

1. ESTABLISH QUORUM AND CALL TO ORDER

President Enns called the meeting to order at 6:02 p.m., Wednesday, June 18, 2008.

Board members present: President Robert B. Enns, Vice President Nat Raimondo, and Directors Shirley Lyon and Bud McHale

Board members absent: Director Hal Fones

Staff present: District Manager Bill Callahan, Administrative Services Officer Bonnie Connelly and Administrative Services Tech. Nancy Martin

Visitors present: Karen Shanley (District Financial Advisor), Tom Martin (General Manager, Mission Country Disposal), Jon McAlpin (Architect, Omni Design Group), Brent Knowles and Richard Grise

2. PUBLIC COMMENTS

There were no public comments.

3. DISCUSSION OF DISTRICT FINANCES AND INVESTMENTS WITH
CONSIDERATION FOR REINVESTMENT (Shanley)

Ms. Shanley provided Board members with handouts of current investment offerings and a recap of the District's investment account. She reported that at June 18, 2008, total District reserve assets equal \$4,767,442.74 and suggested new investments of \$1,500,000.00 of Money Market Mutual Funds in US Treasuries which she stated are safer than any pooled account. Due to the uncertainty of the market she recommended staying short at present, rolling treasuries approximately every three months ("laddering") to ensure liquidity and the highest returns. Proposed FY 08/09 capital expenditures, including the District's portion of costs for anticipated expenditures at the Morro Bay/Cayucos Wastewater Treatment Plant, could warrant borrowing. Shanley urged staff to maintain open dialogue with organizations through whom the District has obtained loans in the past since securing loans is becoming more difficult.

MOTION: First by McHale with second by Raimondo to direct Shanley to invest \$1,500,000.00 in District idle reserves, \$500,000.00 in each of three US Treasury Bills, one at 2.081% maturing 12/18/08, one at 2.808% maturing 2/15/09, and one at 2.328% maturing 6/4/09, or comparable.

VOTE: 4-0

Vice-President Raimondo indicated he would be available to confirm the purchases with Ms. Shanley Thursday morning by telephone.

4. PROPOSED SOLID WASTE INCREASE OF 3.05%, AS REQUESTED BY MISSION COUNTRY DISPOSAL:

A. OPEN PUBLIC HEARING

President Enns opened the Public Hearing.

Richard Grise (a local property owner) commended Tom Martin (General Manager, Mission Country) on solid waste operations in Cayucos. He asked if Mission Country would consider reducing the 2-can minimum requirement for service, as he stated his household generates less than one can per week.

Manager Callahan reported that the District had received one letter opposed to the proposed rate increase. President Enns directed Callahan to compose written a response, with input from Tom Martin.

B. CLOSE PUBLIC HEARING

President Enns closed the Public Hearing.

C. CONSIDERATION TO ADOPT RESOLUTION NO. 2008-1 ESTABLISHING REVISED SOLID WASTE AND RECYCLABLE MATERIALS COLLECTION AND DISPOSAL SERVICE RATES

MOTION: First by McHale with second by Lyon to adopt Resolution No. 2008-1 Establishing Revised Solid Waste and Recyclable Materials Collection and Disposal Services Rates representing a 3.05% across the board increase.

ROLL CALL VOTE: Enns (yes), Raimondo (yes), Fones (absent), McHale (yes), Lyon (yes)

It was the consensus of the Board to address agenda Item 8 prior to Items 5, 6 and 7. President Enns stepped down, citing a conflict of interest over lateral ownership and maintenance, on the basis of economic interest.

8. REVIEW AND DISCUSSION OF DISTRICT POLICIES REGARDING SEWER LATERAL OWNERSHIP AND MAINTENANCE

Manager Callahan's written report was received. Current District policy requires that both the sewer lateral and the wye connection are owned and maintained by the property owner. Callahan had been directed by the Board to look into the number of wyes in need of replacement and to determine costs associated with their replacement should the District consider ownership of them. Director McHale suggested the District assume responsibility for and replace a target number of damaged wyes each year, leaving the lateral to the property owner. General contractor, Brent Knowles, stated that current District policy is generally the norm and that he does not recommend point fixing wyes but suggested that the District could replace/repair wyes if the property owner is replacing/repairing their lateral, and the cost could be split between the District and the property owner. Callahan indicated it would be difficult to allocate costs between the District and the property owners. Moreover, assuming the responsibility of maintenance of the wyes would necessitate the District purchasing a backhoe and other equipment as well as hiring additional staff. He continued that sewer rates would have to be increased, affecting all customers. Vice-President Raimondo indicated he does not advocate the District assuming ownership of sewer laterals and/or wyes and that he feels current policy is sound.

As District staff has been performing video inspections of main sewer lines and laterals, when a defective lateral or wye has been detected, property owners have been notified and asked to make repairs. Raimondo asked if staff has received complaints from property owners with defective lines. Callahan replied that complaints have been received from customers who wonder why they should replace their line when it seems fine and from others who object to the District's policy. Board members made suggestions for consideration, including offering customers a rebate when replacing/repairing their lateral and/or wye, accepting declaration of hardship or subsidizing property owners. Further discussion of subsidies to continue to the next Board meeting.

President Enns was reelected. Director McHale stepped down, citing a conflict of interest due to the proximity of his personal residence to the proposed District O&M shop.

5. CURRENT REPORT ON DISTRICT O&M SHOP PROGRESS WITH JON McALPIN FROM OMNI DESIGN GROUP AND DISCUSSION OF CURRENT SHOP LOCATION

Manager Callahan's written report was received along with Architect Jon McAlpin's preliminary drawings of the three proposed phases of the project, as directed by the Board at the May meeting. McAlpin reported that the shop and conference room would be completed first. Then, during the office remodel, staff may set up temporarily in the new conference room. He asked Board members for input.

President Enns expressed reservations with the project. He had concerns with the office remodel, including the proposed layout of office spaces, of moving the kitchen next to the proposed conference room, and recommended further discussion with staff. He felt the proposed shop should be capable of housing the three District vehicles and all equipment, recommending a reduction of the shop office space and bathroom/lockers area. There was some discussion of the size of the lobby, which McAlpin indicated must be large enough for circulation purposes. Officer Connelly pointed out that visitors and staff will be able to wait in the lobby during closed session periods. Mr. McAlpin was directed to make recommended changes to the preliminary drawings for inclusion at the July Board meeting.

6. CONSIDERATION TO APPROVE INCREASE IN DISTRICT EMPLOYEE PERS RETIREMENT BENEFITS:

Officer Connelly's written report recommending adoption of the Resolution of Intention was received. She also included a spreadsheet showing the change in District costs of 1.9% annually for both FY 2008/2009 and 2009/2010.

A. PUBLICATION OF FUTURE ANNUAL COSTS OF PROPOSED AMENDMENT TO CALPERS RETIREMENT CONTRACT ELECTING 2.5% @ 55 BENEFIT FORMULA (BASED UPON CALPERS ACTUARIAL COST ANALYSIS)

Officer Connelly directed the Board's attention to the Contract Amendment Cost Analysis which shows the future annual costs to the District for the 2.5% @ 55 benefit formula:

- Change in the Present Value of Benefits \$74,465
- Change in the Accrued Liability \$27,379
- Change in the Total Employer Rate 1.896%

B. CONSIDERATION TO APPROVE RESOLUTION NO. 2008-2 OF INTENTION TO AMEND THE CALPERS RETIREMENT CONTRACT ELECTING 2.5% @ 55 BENEFIT FORMULA

MOTION: First by Lyon with second by McHale to approve Resolution No. 2008-2, Intention to Amend the CalPERS Retirement Contract Electing 2.5% @ 55 Benefit Formula. VOTE: 4-0

Officer Connelly was commended on her thoroughness in gathering information and reporting on District salary and fringe benefits enhancements which were approved at the May 21 meeting.

7. CONSIDERATION TO APPROVE A PROPOSED BUDGET AND CAPITAL IMPROVEMENT PLAN FOR THE 2008/2009 FISCAL YEAR

Manager Callahan's Capital Improvement and Special Project Proposal and Officer Connelly's "Draft" Budget were received. She pointed out that the premium for the District's commercial insurance policy with SDRMA came in \$4,000.00 less (at \$62,000.00) than listed in the "draft" budget and that anticipated investment income has been reduced from \$115,976.00 to \$82,000.00. Her report also included a comparison of FY 2008/2009 Budget figures with the Revenue Rate Plan Budget. President Enns reported briefly on the Budget and Finance Committee meeting of June 2, and pointed out that the minutes from that meeting (Agenda Item 10-B) should have included Lift Station #3 Reconstruction as a Category B project rather than a Category A project as was listed in those minutes.

It was the consensus of the Board to exclude Category B projects from FY 2008/2009 budget figures but to reassess possible funding of the projects as the year proceeds. Consideration to secure a loan for the O&M shop and office remodel can be addressed mid-year, as well as the purchase of a vector unit with jetter. The Board commended Manager Callahan and Officer Connelly on their preparation of the "Draft" FY 2008/2009 Budget and CIP.

MOTION: First by McHale with second by Lyon to approve the proposed Budget and Capital Improvement Plan for the 2008/2009 Fiscal Year. VOTE: 4-0

The Board asked to see an outline of the Sanitary Sewer Master Plan progress at the next meeting.

9. STAFF COMMUNICATIONS AND INFORMATION ITEMS (NO ACTION REQUIRED)

A. District Manager's Report – May 2008

Manager Callahan's written report was received. Vice-President Raimondo commended Callahan and staff on handling the unknown "seepage" problem in the street on Park Ave.

B. Administrative Services Officer's Report – May 2008

Officer Connelly's written report was received. She was commended on a "job well done".

10. CONSENT CALENDAR

A. Minutes of Regular Board Meeting of May 21, 2008

B. Minutes from Budget and CIP Committee Meeting of June 2, 2008

C. Minutes from Special Board meeting of June 2, 2008

D. Approval to Pay Outstanding Bills as of June 18, 2008

MOTION: First by Mchale with second by Lyon to approve the Consent Calendar in its entirety, including the Minutes from Budget and CIP Committee Meeting of June 2, 2008 as amended, with Lift Station #3 Reconstruction included in the Category B projects. VOTE: 4-0

11. BOARD MEMBER COMMENTS

Vice-President Raimondo indicated he would be unavailable for the July 16, 2008 Board meeting.

12. MEETINGS, CONFERENCES, AND SEMINARS

- A. Morro Bay-Cayucos Wastewater Treatment Plant (JPA) Meeting, Thursday, August 14, 2008 Hosted by Cayucos, Location: Cayucos Veterans Hall at 6 p.m.
- B. CSDA Local Changer Annual Meeting, July 11, 2008, Location: Avila Beach community Center

Officer Connelly announced the JPA subcommittee meeting scheduled for July 17, 2008, 2:00 p.m., hosted by Cayucos.

13. SCHEDULE AGENDA ITEMS FOR THE JULY 16, 2008 BOARD MEETING

- District Policies Regarding Sewer Lateral Ownership and Maintenance
- District O&M Shop and Office Remodel Project

14. ANNOUNCE CLOSED SESSION ITEMS

President Enns announced Closed Session at 9:02 p.m.

CLOSED SESSION:

- 15. PUBLIC EMPLOYEE PERFORMANCE EVALUATION pursuant to Government code Section 54957, Title: District Manager

RECONVENE TO OPEN SESSION:

16. ANNOUNCE ANY ACTIONS TAKEN IN CLOSED SESSION

As a result of the District Manager's annual review and salary survey, Manager Callahan's salary increased from \$61,000.00 to \$73,000.00 per year.

17. ADJOURNMENT

The meeting was thereafter adjourned.

Minutes recorded by: *Nancy Martin*
Nancy Martin