

CAYUCOS SANITARY DISTRICT
200 Ash Avenue
PO Box 333, Cayucos, CA 93430-0333
805-995-3290

AGENDA NO. 11A1
DATE 6/20/2007

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

MINUTES
REGULAR BOARD MEETING
MAY 16, 2007, 4:30 P.M.

OPEN SESSION:

1. ESTABLISH QUORUM AND CALL TO ORDER
President Robert Enns called the meeting to order at 4:30 p.m.

Board members present: President Enns, Vice-President Raimondo, and Directors Fones and Lyon
Board members absent: Director McHale
Staff present: District Manager Callahan and Administrative Services Officer Connolly
Visitors present: Tim Carmel, District Legal Counsel

2. PUBLIC COMMENTS
There were no comments.

3. ANNOUNCEMENT OF CLOSED SESSION ITEMS

CLOSED SESSION:

4. CONFERENCE WITH REAL PROPERTY NEGOTIATORS: Pursuant to California Government Code Section 54956.8
Property: 13 Birch Avenue, Cayucos
District Negotiators: District Manager Bill Callahan and District Legal Counsel Tim Carmel
Negotiating Parties: George Erdelyi, Cayucos Elementary School District Superintendent
Under Negotiation: Price and terms of payment
5. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION:
Significant exposure to litigation pursuant to California Government Code Section 54956.9(b)(1)
One potential case
6. RECONVENE TO OPEN SESSION – 6:00 P.M.
Report on Closed Session Actions: There was no action to report.
7. ESTABLISH QUORUM AND CALL TO ORDER
President Enns called the meeting to order at 6:08 p.m.

Board members present: President Enns, Vice-President Raimondo, and Directors Fones, McHale and Lyon

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

Visitors present: Bruce Keogh (Morro Bay Wastewater Division Manager), John Johnson and David Stringfield (Carollo Engineers), Ray Sheets, Dorothy Fones and Tom Martin (General Manager, Mission Country Disposal). Mr. Martin arrived during discussion of agenda Item 11.

8. PUBLIC COMMENTS

There were no public comments.

It was the consensus of the Board to address agenda Item 13 before Item 9.

13. STATUS REPORTS ON PENDING WASTEWATER TREATMENT PLANT UPGRADE ISSUES:

A. City of Morro Bay Chorro Valley Satellite Treatment Plant Option

Bruce Keogh, Wastewater Division Manager, City of Morro Bay, reported on the feasibility study for a satellite wastewater facility in the Chorro Valley. Cannon Associates recently updated an earlier study prepared by Boyle Engineers for a stand-alone treatment facility for the City of Morro Bay, including tertiary treatment with reverse osmosis filtration and discharge of the effluent into Chorro Creek. Total costs are estimated at \$76.5M, with construction of \$41.3M and O&M of \$35.2M. Development of the satellite facility would allow the existing plant in Morro Bay to be upgraded to full secondary without having to increase capacity. Keogh reported that the City (Morro Bay) accepted the study at the May 14 City Council Meeting and that he has prepared a spreadsheet providing a comparison of treatment alternatives with pros and cons and costs to present at the May 28 City Council meeting.

B. Consideration of a Response to the California Ocean Protection Council Letter

Board members reviewed a "draft" response to the letter received from the California Ocean Protection Council regarding the treatment plant upgrade. The Board recommended minor changes to the response and directed staff to prepare the final document for President Enns' signature and mailing. Bruce Keogh stated the City Council has not yet addressed the matter.

9. CONSIDERATION TO GRANT LICENSE AND AGREEMENT FOR ENCROACHMENT OF SEWER EASEMENT TO RAY AND CLARA SHEETS AT 64 BAKERSFIELD AVE., APN 064-046-010 FOR RETAINING WALL (Callahan)

Manager Callahan's written report was received. The Sheets are in the process of constructing a putting green and have already placed an allen-block retaining wall as well as two fences in the sewer easement. The Sheets stated they would work with staff to mitigate District concerns with the as-built and proposed encroachments. Callahan had reservations with allowing the encroachments but indicated that a more comprehensive agreement would mitigate those concerns. The Board directed Callahan to draw up an agreement with the assistance of District Counsel, Tim Carmel, for consideration and final approval at the next regular Board meeting. Mr. Sheets asked if he could continue construction of the improvements. Director McHale felt Sheets should wait for execution of the agreement. President Enns advised Sheets to proceed at his own risk.

As Tom Martin, Mission Country Disposal General Manager, had not yet arrived, the Board addressed agenda Items 11 and 12.

11. DRAFT CAYUCOS SANITARY DISTRICT REVENUE PROGRAM REPORT FOR MORRO BAY-CAYUCOS WASTEWATER TREATMENT PLANT (WWTP) UPGRADE

A. Presentation of Report by Preparer, John Johnson (Carollo Engineers)

John Johnson, Carollo Engineers, provided a brief overview of the Draft Revenue Program and he and David Stringfield, Carollo Engineers, answered questions from Board members. Since the majority of funding of the Wastewater Treatment Plant (WWTP) Upgrade Project will be secured through the State Revolving Fund (SRF), the Regional Water Quality Control Board requires that sewer rates are developed to cover the first full year of operation, scheduled to be FY 2014-2015, as well as the first year of debt service. The revenue program presents two scenarios; the first consists of a single near-term loan (\$3.2M) to cover District Capital Improvement Projects (CIP) and incidental costs of the treatment plant upgrade not covered by the SRF loan, and a SRF loan for the District's share of the Waste Water Treatment Plant Upgrade Project (approximately \$8.8M). Implementing the first scenario will raise the monthly sewer user rates from the current \$28.00/month to ultimately \$63.30/month in FY 2014-2015 and the connection fee from \$5,000 to \$7,860. The second scenario, consisting of two near-term loans (\$5.5M) and the SRF loan, will result in sewer rates at \$70.00/month, with the connection fee at \$7,860. Mr. Johnson pointed out that the revenue program will remain a "draft" until the treatment plant upgrade is nearly completed and, at that time, it will be looked at again. With a SRF loan monies are allocated by the State for costs of the upgrade as they occur and the total loan is determined when the project is completed. Repayment of the loan will commence one year after the WWTP Upgrade comes on line.

B. Consideration to Accept the "Draft" Revenue Program, as Prepared by John Johnson (Carollo Engineers)

There was no motion made.

12. SEWER RATE SETTING MODEL AND REVENUE PLAN:

A. Budget and Finance Committee Meeting of May 2, 2007 (Enns/Raimondo)

B. Review and Discuss "Draft" Sewer Rate Setting Model and Revenue Plan for Establishing Rate Increases

Board members commended Administrative Services Officer Connelly on her preparation of the rate setting and revenue plan. Board members discussed the two scenarios presented – one that includes two near-term loans and financing the Wastewater Treatment Plant Upgrade, the other, one loan plus financing the upgrade. Incremental rate hikes are forecasted to occur until FY 2014-2015, the first year of full operation of the upgraded treatment plant. Scenario 1 will create a larger cash reserve but greater debt service and sewer rates will be \$70.00 per month at July 1, 2014. With Scenario 2, there will be less debt service but diminished cash reserves. Monthly sewer rates at July 1, 2014 will be \$63.00. Connelly did not recommend Scenario 1 and the Board concurred. Consensus of Board members included:

- Final review of "Draft" Sewer Rate Setting Model and Revenue Plan for Establishing Rate Increases at June Board meeting
- Implementing Scenario 2 (one near-term loan and WWTP upgrade financing)
- Two 5-year phases for Prop 218 (for sewer rate increases), in light of Prop 218 requirements
- Community notification and Public Hearing

10. DISCUSS AND REVIEW REQUEST FROM MISSION COUNTRY DISPOSAL FOR A 3.94% RATE INCREASE, BASED ON A 2007 BASE YEAR REVIEW, AS PRESENTED

The Sanitary District has the franchise with Mission Country Disposal for solid waste services in Cayucos. Tom Martin, Mission Country Disposal General Manager, addressed the Board, asking for a 3.94% rate increase. He indicated that rising fuel costs and labor issues were factors. The cost of living

in SLO County accounts for high employee turnover and he anticipates 7.5% wage raises. Manager Callahan related that the County was to review the requested rate increase and the District will compare these projections with the increase presented to the District. Callahan also relayed the potential for this increase to be subject to Proposition 218. There was no action taken by the Board.

14. CONSIDERATION TO SOLICIT REQUEST FOR QUOTES/PROPOSAL FOR AUDIT SERVICES AGREEMENT FOR THREE (3) FISCAL YEARS, 2006-2007 THROUGH 2008-2009

MOTION: First by McHale with second by Raimondo to approve solicitation of Request for Proposals for Audit Services Agreement.

VOTE: 5-0

15. CONSIDERATION TO PROCEED TO BID FOR PHASE 2 LINE (FEMA/OES) REPLACEMENT PROJECT BASED ON ENGINEERED PLANS AND SPECIFICATIONS

Manager Callahan reported the project is ready to go out to bid and that property owners with sewer easements that will be affected have been notified that encroachments in the easements must be removed before the project commences.

MOTION: First by Fones with second by Raimondo to proceed to bid for Phase 2 Line Replacement Project.

VOTE: 5-0

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

There were no questions from Board members.

17. CONSENT CALENDAR

A. Minutes of:

1. Special Meeting of April 11, 2007
2. Regular Meeting of April 18, 2007
3. Budget & Finance Committee Meeting of May 2, 2007

B. Approval to Pay Outstanding Bills at May 16, 2007

C. Job Description for Administrative Technician (Billing and Computer)

D. Job Description for Administrative Technician (Accounting)

E. Award of 5% Merit Increase to Wastewater Collection System Technician to \$1,568 Bi-weekly (\$40,768 Annual)

MOTION: First by McHale with second by Fones to approve Consent Calendar in its entirety.

VOTE: 5-0

18. REQUEST BY LAFCO FOR NOMINATIONS FOR LAFCO SPECIAL DISTRICT MEMBER WITH DEADLINE OF MAY 30, 2007

MOTION: First by Lyon with second by McHale to nominate Barbara Mann for LAFCO Special District Member

VOTE: 5-0

19. NOTICE OF NOMINATIONS FOR THE SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY (SDRMA) BOARD OF DIRECTORS WITH DEADLINE OF JULY 6, 2007

MOTION: First by McHale with second by Fones to continue the item to the next regular meeting.

VOTE: 5-0

20. BOARD MEMBERS COMMENTS

There were no comments made.

21. MEETINGS, CONFERENCES AND SEMINARS:

A. Board Member Reports

Director Fones reported on the tour of the wastewater treatment facility in San Luis Obispo he took. Director Lyon also attended. Waste there is treated at tertiary level and the effluent discharged into the San Luis Creek.

B. Morro Bay-Cayucos WWTP (JPA) Meeting on Thursday, May 24, 2007, 6:00 p.m.

C. Confirm 2007 Budget & Finance Committee Meeting Date of May 31, 2007 or June 6, 2007
Budget & Finance Committee members, President Enns and Director Raimondo, confirmed June 6, 2007, 10:00 a.m., District office, for the meeting.

D. Confirm Special Board Meeting for the Week of June 11-15, 2007 for Budget and Rate Setting
There will not be a quorum during that time period and no date was set.

22. SCHEDULE AGENDA ITEMS FOR THE JUNE 20, 2007 BOARD MEETING

- Consideration of Ray and Clara Sheets Encroachment Permit Application
- Nominations for SDRMA Board of Directors
- Budget

23. ADJOURNMENT

MOTION: First by Raimondo with second by McHale for the meeting to adjourn at 8:10 p.m.

VOTE: 5-0

Minutes recorded by: *Nancy Martin*
Nancy Martin